FREE ENTERPRISE

...An Imperative

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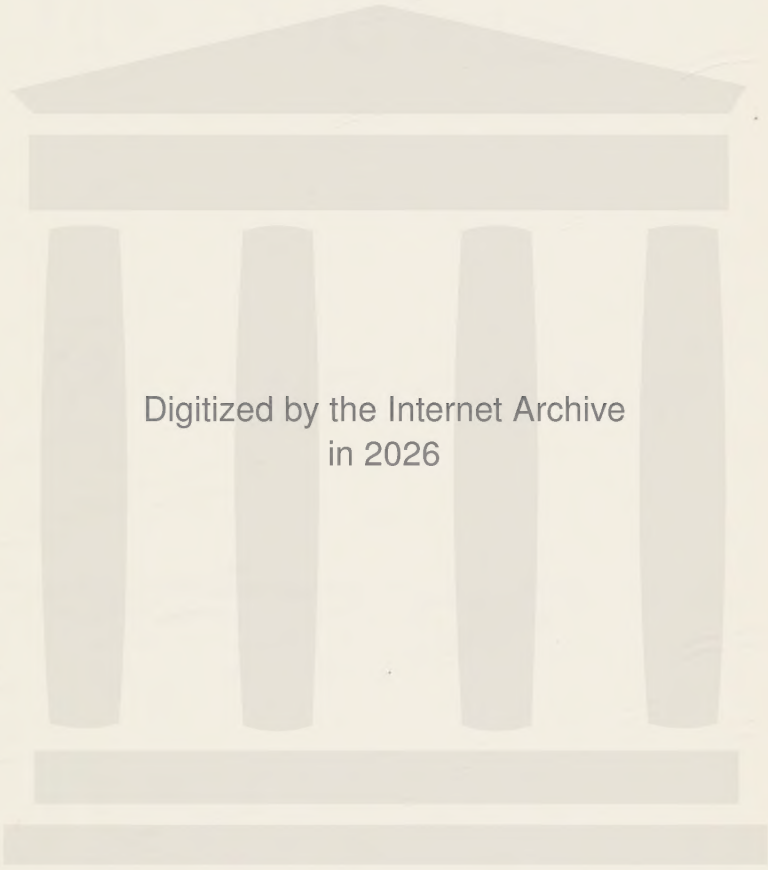
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FREE ENTERPRISE

...An Imperative

Nine Essays on "The Moral Imperative of the American Private Enterprise System of Risks and Rewards."

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FREE ENTERPRISE ... AN IMPERATIVE

The winning essays on the theme:

The Moral Imperative of the American Private Enterprise System of Risks and Rewards

Alan C. Stockman
David Kelley
Roger E. Michener
John H. Beck
R. A. Childs, Jr.
John B. Egger
Verna E. F. Harrison
Karl Keating
Walter J. Wessels

Edited by John M. Henry

Sponsored by the Herbert Hoover Presidential Library Association, Inc.

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PREFACE

When the idea of initiating some action to call the attention of intelligent young people to the pitfalls of much current thinking in the field of economics was conceived, a number of methods were submitted. But since a basic fact of psychology is that inquiring minds are never entirely satisfied until they have personally investigated subjects and reached their own conclusions, the contest-essay format was adopted.

The proffered sponsorship of the Herbert Hoover Presidential Library Association and the voluntary offer of the Mont Pelerin Society to judge the contest gave it a status second to none.

The subject: The Moral Imperative of the American Private Enterprise System of Risks and Rewards, was open to all people of the United States and Canada born in 1944 or later. The number of responses was surprising and the quality of the submissions most gratifying. It is regrettable that all entries cannot be included in this volume, as all have merit. They are preserved and may be read at The Hoover Presidential Library in West Branch, Iowa.

The Mont Pelerin Society, composed of the cream of thinkers in the field of Economics, chose as judges its President, Dr. Arthur Shenfield of London; Dr. Benjamin A. Rogge of Wabash College; and Dr. Henry Manne, Director of the Center for Studies in Law and Economics in Miami, Florida.

Although the judges did select the essays included in this volume as superior, they complimented the quality of all of the entries and stated difficulties in making the selections.

Part of the reward for the winners was an invitation to attend a meeting of the Mont Pelerin Society in Brussels in 1974. An evening's program was devoted to the essayists. Alan Reynolds, reporting in The National Review, called them a highlight of the meeting.

Deep appreciation is due Dr. John Howard, President of Rockford College, for his counsel; Mr. John McCarty, then Assistant to Dr. Howard, now Assistant to the Chancellor of Pepperdine University, who made all the initial arrangements; to the Herbert Hoover Presidential Library Association, especially to Mr. Duane Arnold, President, and Mr. John M. Henry, Secretary; to the judges, Dr. Shenfield, Dr. Rogge and Dr. Manne; and to the Mont Pelerin Society.

Olive W. Garvey

INTRODUCTION

The essays which make up this book were the winners in the unique contest funded by the Garvey Foundation of Wichita, Kansas, and managed by the Herbert Hoover Presidential Library Association as a part of the observance in 1974 of the Centennial of Herbert Hoover's birth.

The contest was for comment on "The Moral Imperative of the American Private Enterprise System of Risks and Rewards." It was designed to stimulate thoughtful consideration by young persons (under 30) of the underlying morality of the free enterprise system. The winning essays are of such high calibre that those responsible for the contest felt the essays should be published as a collection of comment on the free enterprise system.

Hence, the book containing these essays.

Following are short quotations from the essays which give a taste of the whole:

"The purpose of this paper is to examine some of the ways in which an economic system affects the moral character of society." Alan C. Stockman.

"The left has raised a real issue. For work plays a central role in man's life, and it is appropriate to ask what values he may expect to gain from it, what productiveness means in the context of human life — and what form of association with other men allows him to derive the most from work. These are moral questions, and they require a moral answer." David Kelley.

"It upsets only those who came after him (Machiavelli) who were neither prepared, on the one hand, to abandon their own moral values (Christian or humanist) together with the entire way of thought and action of which these were a part; nor, on the other hand, to deny the validity of, at any rate, much of Machiavelli's analysis of political facts, and the (largely pagan) values and outlook that went with it embodied in the social structure which he painted so brilliantly and convincingly." Roger E. Michener.

"The purpose of this essay is to elucidate the relationship between the market economy and the moral objectives of society." John H. Beck.

"The thesis of this essay is that if capitalism, the free enterprise system, is to be defended and rescued, it must be by moral and philosophical means. In short, economics is not enough; the battle has been won on that ground, and has shifted to another, higher level. By 'higher' here I do not mean necessarily more difficult, but rather higher on an epistemological scale, more fundamental, more basic." R. A. Childs, Jr.

"The religious and political conservative typically values the free market because it encourages man to adopt his virtues: hard work, thrift, and sobriety." John B. Egger.

"At the present time, when virtually every kind of business is subject to regulation by some federal, state, or local government

agency, when all sectors of the economy are bound by price controls or the threat of their imposition, and when risks to persons and companies are cushioned by subsidies as the rewards of profit are eaten away by exorbitant taxation, it is difficult to see what could be meant by 'the American private enterprise system.' The *status quo* does not fit the description, nor can it be easily defended on moral grounds. Therefore, it makes better sense to perceive the intent of this phrase as referring to conditions in the United States before Franklin Roosevelt and his successors imposed these controls, when the economy really operated on the principal of the market. Indeed, it would be clearer still to state a moral case for the American economy as it has been idealized by its supporters and condemned by its critics, that is a case for *laissez-faire* capitalism." Verna E. F. Harrison.

"No economic system, of course, can make men good or can make good men. At best the economic superstructure can allow men to be good. And the better system is the one that encourages and permits the individual to improve himself, while at the same time discouraging the evil man from extending his activities." Karl Keating.

"Private property elevates the individual above the State and his neighbors as the controller of what he owns. Through the rule of law, he can defy and ignore the opinion of anyone, be they the acclaimed spokesman for God, Society, or even the Majority." Walter J. Wessels.

John M. Henry, Editor

"Movements away from capitalism are destructive of social co-operation and moral behavior."

Alan C. Stockman

CAPITALISM AND MORAL SOCIETY

"Alan Charles Stockman is currently working on his Ph.D. in economics at the University of Chicago. He received his Bachelor of Arts at Ohio State University, *'summa cum laude'* and 'With Distinction in Economics,' was elected a member of Phi Beta Kappa, and is a Weaver Fellow for 1975-76.

"Alan was born in Cleveland, Ohio, in 1951, one of three children of Charles and Rosemary Stockman. He has a sister, Judy, and a brother, David. Even before finishing elementary school, Alan became interested in politics after reading Goldwater's *Conscience of a Conservative*, which he found on his father's bookshelf.

"During his junior high and high school years, Alan further developed his interest in political philosophy, and this eventually led him to some writings by Von Mises, Friedman, and Hayek, from whose works he first discovered the field of economics. While in high school his activities included the debate team (and participation in state tournaments) and the organization of a chess club. For several years he helped write and publish a small 'underground' satirical journal called *The Lamp of Diogenes* (Manna for the Pseudo-Intellectual), and he has played guitar for a local popular music (rock and roll) band, jazz band, and has played and sung with several folk music groups.

"In 1969 Mr. Stockman entered Ohio State University in the Honors Program of the College of Arts and Sciences, where he concentrated most of his work on economics, mathematics, and philosophy. He was a member of several organizations including the OSU folk music group, and served on a student advisory board to the university administration. He once ran for vice-president of the student government on the 'Overnite Party' ticket, with a libertarian platform applied to campus issues. (The ticket lost miserably, but they enjoyed the pre-election debates with other candidates.) In his senior year he received an undergraduate research scholarship through the university honors program for research on monetary influences on interest rates.

"In March, 1973, Alan married Cynthia Lynne Lemmon, whom he had met in high school while both were playing folk music for a variety show. Later that year they moved to Chicago. Ms. Stockman obtained her Bachelor of Science degree and is currently a medical dietician at the University of Chicago Hospitals. In their leisure time, the Stockmans enjoy biking, camping, listening to music (of all kinds), and playing guitar.

"After receiving his Ph.D., Mr. Stockman plans to remain in the academic world, teaching and pursuing research in economics and the social sciences more generally. One of his long range goals is an

understanding of the determination of social institutions and their interactions with peoples' material and non-material interests, especially the harmony or the incongruency of the concepts of right and wrong which govern individuals' lives with the views an individual has of the society in which he lives and the consequences this has on the society. In the more immediate future Mr. Stockman will concern himself with some more narrowly finished issues in economics, especially in monetary theory and international economics.

"Mr. Stockman's essay on 'Capitalism and Moral Society,' which won first place in the Herbert Hoover Presidential Library Association's contest on 'The Moral Imperative of the American Private Enterprise System of Risks and Rewards,' was written in the summer of 1973, just before Mr. Stockman entered the University of Chicago."

If capitalism is to survive, its defense must no longer be made solely on economic grounds. The efficacy of capitalism in improving the material conditions of mankind has been demonstrated both by history and by theoretical analysis. Opponents of capitalism no longer support socialism as a more productive economic system; instead they oppose capitalism as a morally intolerable system.[1] Unless the defenders of capitalism succeed in clearly explaining its ethical basis and its relation to political institutions and the general character of society, capitalism shall lose the ideological battle.[2] The purpose of this paper is to examine some of the ways in which an economic system affects the moral character of society. It is futile in the face of the current attack on liberal-capitalist society to emphasize what is good in capitalism or argue that the alleged evils are minimal unless one can demonstrate that any alternative to capitalism is even more unacceptable in terms of its effect on the social character. However little we like to think of our problem as that of choosing the least undesirable economic system, the nature of the moral attack on capitalism makes this a temporary necessity. No economic system can automatically guarantee a good society, but some may have effects on people's values and behaviors which make the achievement of a desirable society more difficult. I wish to show that capitalism is the economic system most compatible with a good society.

I do not intend to propose an ethical theory and deduce the qualities desirable in an economic system in order to compare and rank various systems. Instead, I rest my case on my belief that most people will agree with the ethical judgments I will make in this paper. I presume that those who are not convinced by my case will disagree not because they have so different a conception of the good society as because they think that I have not considered all the features of an economic system upon which value judgments should be made. This, I agree, the paper does not do. But I shall try to consider those aspects of the economic system which modern opponents of capitalism most like to emphasize: the relations of the economy to the "non-economic" side of life.[3]

The ethical characteristic most often associated with capitalism is economic freedom. The rights to enter into contracts with mutually consenting parties, to voluntarily negotiate the terms of contracts, to buy and sell at any price — these are among the economic freedoms which some people consider very important. Economic freedom is a symbol which has often evoked passionate commitment; but it has also evoked scornful attack, and it is illuminating to understand why. Economic freedom has always been primarily a means rather than an end in itself.[4] Economic freedom meant that people were free from the traditional socio-economic constraints of the pre-liberal era. It brought hope and promise for a better future to an immense number of people. By opening the way for the release of human creative forces, utilizing the skills and knowledge widely disseminated in society, and creating a greater "harmony of interests" than had ever

before existed in society, economic freedom was accompanied by the most massive increase in the standard of living in history. Such an achievement was profoundly moral in itself, and this should not be overlooked. The improvement of material conditions was and is a major goal for most people, and it could not have occurred without the rise of capitalism and economic freedom.

But economic freedom, considered in itself rather than for its accomplishments, could hardly evoke the same moral passions which are elicited by religious, scientific, and "inner" freedoms. The attack on economic freedom emanated from conservatives like Coleridge and Carlyle, who believed that the liberal-capitalist revolutions were destroying social characteristics of infinitely more importance. They saw economic freedom as a vulgar attack on the traditional virtues of the legitimate order. The same attitude toward economic freedom can be found in the modern opponents of capitalism.[3] The "quality of life" is much more important than free trade. And when the issue is put into this rhetoric, who can disagree? The attack on economic freedom is strengthened by the disassociation of economic freedom and material improvement in the minds of the masses. It is simply not true, however much material improvement is important to people, that economic freedom, in itself, is a good which most people care very much about. The problem is not simply that people disassociate the two, but that they desire the one and are taught by those who emphasize the "quality of life" to oppose the other.

The challenge, as I have said, is for defenders of capitalism to show that the economic system which includes economic freedom is also the best system for a good society. This must be demonstrated in the face of attacks that capitalism is the source of destruction of all "non-material values." Capitalism is alleged to be destructive of social co-operation and mutual respect, of the individual's sense of self-worth, and of the most rudimentary elements of justice. Surely, it is said, economic freedom and even a higher material standard of living are not worth this price. It is therefore extremely important to understand the ways in which the economic system affects the non-economic side of our lives. I wish to argue that while capitalism, by itself, cannot guarantee a moral and good society, it is a necessary condition for one: that the alternative to capitalism is a system which is by its nature hostile to individual morality and social co-operation.

One need not give a precise definition of capitalism and demonstrate that every requirement of the definition is also a requirement of the economic system of a good society. I will use the phrase "movements away from capitalism" to indicate a broad range of changes which decrease the proportion of "economic decisions," which are made on a market by private (non-government) parties, and increase the proportion which is made by government decree. Thus I use the phrase to include such things as nationalization of industries, wage and price controls or regulations, compulsory "insurance" programs, legal barriers to occupational entry, high taxation, government-enforced wealth distributions, etc. The characteristic of movements

away from capitalism which concerns us most is the increased presence of government in economic life. Rather than try to further clarify the concept of "movements away from capitalism," I shall proceed to outline the channels through which movements away from capitalism and the corresponding expansions of government affect our values and behaviors. I believe that some of the ambiguity which I am leaving here will be removed in the course of my arguments.

Clearly government has the power to affect behavior by changing the costs and outcomes associated with different courses of action. This much is the explicit purpose of many government actions. But there are other important effects which a government action has on individual behavior. On one level, government programs have unintended results which are common study in economics. In general, people will alter their plans to avoid the full impact of the additional cost which the government action had imposed upon their original plans. For example, minimum wage legislation may impose an additional cost on the employment of labor by a businessman, who will then alter his labor-employment plan by firing or not hiring the otherwise marginal workers. The tax system of the United States causes people to misallocate resources by purchasing "tax shelters" and paying expensive tax lawyers to search for legal loopholes.

On a second level, government action has further unintended results. The government attempt at altering one social situation and the result of this attempt affect the courses of action and their associated costs and expected results open to people who wish to have *other* situations changed. This second indirect effect is often overlooked because it is more difficult to pinpoint empirically. It is difficult to observe the change in attitude and the reallocation of human energy and material wealth caused by a maze of government-granted privileges to various concerns. When interest groups lobby for government actions, or even when people write to their representatives, they are purchasing a probability-set of returns for the cost of lobbying; they receive one probability that government will act in the manner they most desire, another that government will act in some second-choice manner, and so on. Is there any doubt that the willingness or refusal of government to take various other actions in the past affects the estimation which potential lobbyists make of their probabilities of success associated with various costs and therefore affects the further demands which government faces?

Finally, government actions have even more unforeseen result. The more government faces demands from various segments of society, the more people are apt to believe that government *ought* to take the actions demanded by certain groups. Rather than viewing government as an agency which should be limited to enforcing the rule of law but is in fact subject to various demands for special advantages and pet programs, government comes to be viewed as an agency which ought to grant special privileges to "deserving" concerns. Soon any interest group which believes that it is being granted less than its "rightful share," or can be thus persuaded by a willing "advocate,"

thinks that government has an obligation to meet its demands. The political climate is then no longer one of regret that government faces so many contradictory demands for private advantages, but one in which government is thought to have an obligation to meet any "just" demands for an improved world. Neither the rhetoric nor the substance of demands competing in the political arena can remain reasonable for very long. Clamors to improve every aspect of the "quality of life" are the ultimate demands soon placed upon government. I suggest that even a most casual look at the current situation in the United States indicates that both the power and responsibility for "social improvements" are attributed to government far more now than at any other time in United States history.[6]

The most widely recognized result of the replacement of market decisions by government decisions is social conflict.[7] There are two senses in which social conflict is heightened. In one sense the politicalization of decision making sharpens awareness of the decisions and increases discontentment with the results. Each decision appears arbitrary because we are aware that a decision was made, we know who made it, and we know that political power can be used to influence and change the decisions. In this sense it can be claimed that conflicts pre-exist in society and are only "brought out" into the open by movements away from capitalism. This does not imply, however, that the sharpening of these conflicts is not undesirable — that it does not cause more discontentment, weaken the social fabric (by which I mean shared values and goals and the extent to which people are willing to cooperate with and help each other), endanger the social order, and create a public climate which is generally undesirable. But there is also a second sense in which social conflict is heightened — not by merely increasing the felt importance of "existing" conflicts but by creating "new" conflicts. This should actually be obvious from the above analysis of the unintended results of government action. By altering opportunity sets, making results previously obtainable only by voluntary exchange on the market or previously unobtainable available through political power, and by affecting conceptions of what one deserves from government, movements away from capitalism give rise to new conflicts and cause resources to be committed to socially wasteful and conflicting projects. Both material wealth and human energy are allocated for the purpose of grabbing at the economic cakes instead of creating more of them.

It is important to understand that these social conflicts are not simply disagreements about "economic" matters, but that by evoking the passionate commitment of people and influencing their ideas about the role of government and their own roles in society,[8] the social conflicts affect both the conceptions people have of right behavior[9] and their general attitudes toward other people. The more the movement away from capitalism affects the economic well-being of a person, the more important to him is the "favorable" resolution of the consequent social conflicts. Political power becomes a means to favorable decisions.[10] Ideologies purporting to justify various interests are

held with increasing determination; these ideologies serve not only as rationalizations but as propaganda-weapons.[11] Political and ideological conflicts are merely a prelude to moral conflict. Moral responsibility ceases to be the concern of the person who sees society as a zero-sum game with everyone taking whatever he can get from the fixed basket of social goods. Private ownership comes to be viewed as an excuse for the expropriation of goods from the rest of society. The "rules" of the "social game" cease to *make sense* to people: they come to be seen as arbitrary barriers to those who are relatively worse off in society, established only to serve the interests of the wealthy.[12] The view of society as a massive conflict reinforces the belief that government authority is needed to resolve the conflict. Yet this demand for government decision making is itself the *source* of conflict. Daniel Bell has described the "consequent sense of helplessness" caused by a multiplicity of interest groups "each seeking to impose a single view on the polity" in a system with extensive government rather than market decision making.[13] Society is overwhelmed by what we may call "alienation": the feeling of discongruity between public and private lives, of a total lack of connection between the society a person sees around him and the values he believes should guide his personal life.[14]

What answer is there, though, for a person who replies, "But the rules *don't* make sense; private property *is* only a rationalization for selfishness; society *is* a great conflict." It is not within the scope of this paper to attempt to answer a totally nihilist position, but what of the person who reasonably claims that the present distribution of wealth is simply not just? Such a person may argue that social conflict is a necessary cost of obtaining justice in an unjust world. After all, those who would lose wealth if it were justly distributed can be expected to oppose such a proposal.

Now, capitalism indeed does not distribute wealth according to any prescribed scheme of distributive justice.[15] Surely no one believes that a publisher's moral desert increases whenever the demand for one of his books increases. Capitalism rewards people not for their motives but for the results of their actions in satisfying the demands of the consumers. The distribution of wealth in accordance with how well a person's actions satisfy the wants of other people serves the purpose of rewarding and therefore encouraging such results. A distribution of wealth in accordance with the extent to which a person exhibits some characteristic deemed indicative of moral desert would encourage the exhibition of that characteristic. We have no generally accepted criteria for assessing moral desert, and even if we could make rewards reasonably proportional to it, we would be acting contrary to our desire to organize society so as to maximize the extent to which people's wants will be fulfilled. "The fact is, of course," as Hayek points out, "that we do not wish people to earn a maximum of merit but to achieve a maximum of usefulness at a minimum of pain and sacrifice . . ." [16]

An organization of society which is not based upon a principle of

distributive justice is not necessarily unjust. There are many concepts of justice, not all compatible, and we may mention one prominent concept which entirely rejects the notion of distributive justice.[17] According to this concept, justice consists of equal treatment under the law in a social and legal framework which is "fair," i.e. there is a set of known rules regarding permissible and nonpermissible actions which may lead to unequal positions in actual practice but would be agreed to by all in an initial position in which no one knows what specific result the social framework will have for any specific person.

While such an involved concept of justice is not what most people understand by the term "justice," most people do not support an unqualified concept of distributive justice. Two examples evidencing this are the demands for "equal pay for equal work," and the fact that income redistribution schemes are usually proposed only for within a nation. The demand for "equal pay for equal work" is clearly inconsistent with distributive justice, yet most people believe that it is a "just" demand. People who would benefit from an income redistribution plan in, say, the United States, are thought by the proponents of such plans to be victims of an unjust distribution of wealth. No arguments are ever presented to the effect that U.S. citizens are more morally deserving than, say, citizens of Asian and African countries. Yet distributive justice on a worldwide scale would surely result in most of these "victims" losing rather than gaining wealth. Far from being victims of injustice, they have more than their "just" share. Of course, not many people are willing to draw this conclusion — not out of inconsistency but because they do not subscribe to a conception of distributive justice. The point is that there is neither a widely accepted theory of justice among intellectuals nor a widely held conception of justice among the masses of people which warrants the conclusion that capitalism violates the most rudimentary principles of justice.

This fact does not imply that the distribution of wealth which results in a capitalist society must be "desirable" from the point of view of someone concerned with both justice and "goodness" in general. Justice is only one of many characteristics which ought to be exhibited by a good society.[18] Most proponents of wealth redistribution are not concerned with establishing distributive justice but simply with removing inequalities which they believe are unfair or in some way undesirable. Their use of the term "unjust" indicates the emotional commitment they have to the issue, not that they have a well-developed theory of justice to which they are trying to fit society. In this case, one may indeed believe that a more equal distribution of wealth is worth the costs involved — but one should not underestimate these costs. A "fair distribution of wealth" is a vague concept which evokes many different and incompatible ideas, and the demand that government achieve it inevitably creates the social conflicts described above.

We face the problem not of trying to organize society according to some preconceived concept of justice but of choosing the best form of

social organization available to us. One important factor in that decision is the attitude people will have toward the economic system. Will they accept it as fair or just?[19] Irving Kristol has argued that people simply cannot accept the decisions of the market as just unless they are imbued with some moral authority like that provided by the Protestant ethic.[20] This may be true; I do not want to argue that a good capitalist society can exist regardless of the values and moral beliefs of the citizenry.[21] A pertinent question, though, seems to be whether any alternative to capitalism would be accepted even to the extent which capitalism presently is.

If people generally believe that it is better to achieve results desirable to another person and accept voluntary tokens of his gratitude than it is to use force or cunning to achieve one's goals, is not a social organization in which rewards correspond with the former type of action more likely to be accepted than one in which rewards correspond to the latter? The view of society as a power struggle is not likely to disappear once it has demolished capitalism. The more likely result is massive alienation (as defined above) because the actual organization of society will make success contingent upon behaviors unjustifiable in terms of the ethical principles people believe should guide their personal lives. One may believe that the demands of people as exhibited on the market *should* not be met, but this is an entirely different question from that of whether people can accept a system as fair or just.

In fact, the attitude that market demands ought not to be met characterizes much of anti-capitalism.[22] The problem is that any attempt to reconstruct society according to even the most noble conception will necessarily run the risk of totalitarianism and even suppression of those values which guided the reconstruction. The case for capitalism does *not* rest, as Kristol thinks it does, on the assumption that there is no superior wisdom about what constitutes happiness.[23] It rests upon the premise that the closest approximation to a good society can be had only by maximizing freedom instead of maximizing any specific concept of "good." That opponents of capitalism either ignore or fail to understand this issue is indicative of the quality of communication in the debate.[24]

Liberal-capitalist society may not generate the moral acceptance it requires to survive, but there is no alternative social order consistent with a good society. Movements away from capitalism are destructive of social co-operation and moral behavior. They are destructive of individual dignity and security because they promote a discongruity between social principles and individual morality. The moral imperative of an economic system is to foster a good society by cultivating the values and behaviors necessary for such a society. From both an "economic" and an ethical viewpoint, capitalism best fulfills that challenge.

References

1. Irving Kristol, "Capitalism, Socialism, and Nihilism," *The Public Interest,* 1973.

2. Wilhelm Röpke, *A Humane Economy,* Indianapolis, 1971, pp. 90-1.

3. The use of this phrase does not imply that economic theory is not applicable to some part of our lives. I have in mind the common meaning of the phrase.

4.cf. F. A. Hayek, *The Constitution of Liberty,* Chicago, 1960, p. 35; or John Nef, *The U.S. and Civilization,* 2nd ed. Chicago, 1967, p. 337, p. 348.

5. Irving Kristol in " 'When Virtue Loses All Her Loveliness' — Some Reflections on Capitalism and 'the Free Society,' " chap. 1 in *Capitalism Today,* ed. by Kristol and Bell, N.Y., 1970, discusses the similarities. Henceforth this article will be referred to as "Virtue."

6.eg. see Warren Nutter, "Economic Aspects of Freedom," American Bar Association's *Liberty Under Law, Anarchy, Totalitarianism,* undated (1969), p. 53. "If there has been any discernible trend in public attitudes in the West, it has been toward a complete inversion of this ordering and of the basic presumption of state versus market action."

7.cf. Daniel Bell, "Comment," *Is Law Dead,* ed. E. Rostow, N.Y., 1971, pp. 365-6: "The rise of non-market public decision making necessarily sharpens community conflicts. The virtue of the market is that it disperses responsibility . . . But in politicized decision making . . . the decision points are visible, and everyone knows whose ox is being gored. One — everyone — goes to fight City Hall."

8. F. A. Hayek, *The Road to Serfdom,* Chicago, 1944, p. 106.

9. Ibid. p. 136.

10. Ibid. p. 107.

11. Ibid. Chapter XI. Anyone who believes that the world is ruled, at least in the long run, primarily by ideas rather than bare power may be interested in Paul Samuelson's subversion of the "ideas have consequences" doctrine: "What many of the readers of *Time* magazine think today, the antitrust division of the government may come to think tomorrow. Therein lies the power of ideas" from the "Foreword" to Assar Lindbeck's *The Political Economy of the New Left,* N.Y., 1971, p., xxi.

12. Like Marxism, which, as Michael Polanyi somewhere states, gains support because of its moral dynamism yet denies the reality of moral forces in shaping the world, this view of society gains prominence because of moral concerns yet sees power as the only social reality.

13. It is interesting to note that this is a corroboration of one of Hayek's main arguments in *The Road to Serfdom,* though with a different result than Hayek predicted. The impossibility of "successful" planning due to wide disagreement about values *has* been a problem. But instead of leading to totalitarianism (yet) through government attempts to enforce a single value system on everyone, we have sharpened social conflict — caused by the lack of agreement and leading to nihilism and social disintegration.

14. see Kristol, "Virtue."

15. By "distributive justice" I mean a principle which posits rewards as a function of virtuous motives, moral merit or moral desert, etc. On the whole issue of distributive justice and the free society, see Hayek, *The Constitution of Liberty,* pp. 93-100.

16. *The Constitution of Liberty,* p. 96.

17.e.g. John Rawls, *A Theory of Justice,* Cambridge, Mass., 1971. Distributive justice is discussed in chap. 5, especially section 48.

18. Ibid, pp. 9-10.

19.cf. Daniel Bell "The Cultural Contradictions of Capitalism," chap. 2 in *American Capitalism,* op. cit. "The ultimate support for any social system is the acceptance by the population of a moral justification of authority." p. 39.

20. "Virtue."

21.cf. Hayek: "The Moral Element in Free Enterprise," in *Studies in Philosophy, Politics, and Economics,* N.Y., 1967, p. 230.

22. Kristol, "Capitalism, Socialism, and Nihilism."

23. Ibid. p. 7, "Modern, liberal, secular society is based on the revolutionary premise that there is no superior, authoritative information available about the good life or the true nature of human happiness — that this information is implicit only in individual preferences, and that therefore the individual has to be free to develop and express these preferences." See also p. 6.

24.e.g. B. F. Skinner, *Beyond Freedom and Dignity,* N.Y., 1971. Skinner seems unable to understand how anyone concerned with creating desirable behavior can favor a free society.

"If man's self-esteem derives from his productiveness, it will best be served by the system most conducive to the latter. Our standards lead us, by the several paths we have traced, to capitalism, the political economy of freedom."

David Kelley

THE POLITICS OF PRODUCTIVENESS

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"Born and reared in Cleveland, Ohio, he attended public school there. An interest in philosophy led him to Brown University, where he studied philosophy and classics, graduating with a B.A. and M.A. in 1971. After graduation, he went to Princeton University for graduate work in the philosophy department. Princeton awarded him the Ph.D. in 1975.

"Mr. Kelley's major interest in philosophy is the theory of knowledge. His doctoral thesis, *The Evidence of the Senses,* dealt with perception and its role as a foundation of knowledge. He has also written a number of essays in political philosophy. Besides his essay for the Hoover Presidential Library contest, he has published several articles in *The Freeman,* and written two book reviews for *Barron's National Business and Financial Weekly."*

The left once proclaimed that it would rationalize the process of production. Finding waste in competition, anarchy in freedom, inefficiency in the market, the left held out the vision of a fully rational economy, to be achieved by government planning. Time and circumstance have muted their voices: time, for the rational examination of their proposals; and the circumstance that their proposals have actually been carried out in certain parts of the world, with results that made many leftists thankful that they lived in parts of the world where they were not carried out, where their dreams remained dreams, not nightmares. Meanwhile, the right has developed a devastating case against the left on this point. It has shown that an economic system modeled on the socialist design is not only less efficient, economically, than capitalism, but is also detrimental to justice, freedom, and peace.

But the left had another point to its program, another ace up its sleeve. For it also promised to *humanize* the process of production. This is the point that has remained, even when the left has been buried on economic grounds. Today, when we hear less about the inefficiency of the market, we still hear, and with increasing volume, about its inhumanity: the alienation of the worker, the brutalization of human nature, the poverty and *acedia* of life in the capitalist system. This attack on the market thrives even as the economic attack wanes; thrives, indeed, even at the latter's expense. Today it is the market that is more often identified with efficiency, and criticized precisely because of it. The concept of "industrial democracy," for example, is enjoying a new life in the popular press, despite its obvious conflict with the efficiencies of specialized labor. In the writings of the new left, one finds a positive disdain for technology breaking through their muddled paeans to creativity and fulfillment in work. The movement has even reached the absurdity of Mr. Herbert Marcuse complaining that because capitalism has given the workers such material happiness, they are no longer inclined to express their true, and presumably miserable, selves by revolting.

This conflict, however, should not blind us to the fact that the left has raised a real issue. For work plays a central role in man's life, and it is appropriate to ask what values he may expect to gain from it, what productiveness means in the context of human life — and what form of association with other men allows him to derive the most from work. These are moral questions, and they require a moral answer. The issue cannot be settled by economic reasoning without assuming that money is the sole end of productive effort; an assumption that can and has been challenged on moral grounds. Thus the chorus from the left continues, for lack of a fitting antistrophe. This we must now try to provide.

I

Any discussion of the moral purpose or meaning of work must begin from the recognition that man works in order to survive. The point is often lost in the Hegelian shuffle performed by the left whenever it

touches this issue, but it is important nonetheless. Whether it be given a religious or naturalistic, a tragic or heroic significance, the fact itself cannot be questioned or ignored. Man maintains his life by producing what he needs to live on; his needs are many, and nature guarantees the satisfaction of none. Thus the value of life itself requires that man produce what will satisfy his needs, and provides a standard of measurement for his productiveness: to what extent does he attain this end? A social system, in turn, is morally acceptable to the extent that it allows individuals to act for these values, the values their lives require.

But this is not the only relevant standard. Not only must man act to satisfy his needs; he must do so in accordance with his capacities; and chief among these is his faculty of reason. Reason is his only means of determining what will satisfy his needs, and how to produce it. He cannot even live off berries without discovering by thought whether they are poisonous; the technology currently employed in production requires an immense amount of rational, scientific thought. The method is as important as the end in understanding productiveness. As Ayn Rand has said, "Production is the application of reason to the problem of survival."[1] Here, then, is another measure of productiveness, and another moral standard for measuring systems of political economy: we must inquire which system is most favorable to the individual's use of his mind, his rational judgment, in production.

By both of these criteria, capitalism is the system most compatible with man's productive needs. For capitalism, the political economy of freedom, is the only system fully to recognize and protect individual rights, and his rights are a condition of the individual's productiveness in society. All of man's needs require the use of property for their satisfaction; if it is right, therefore, for man to maintain his life, it is right for him to use property — he has property rights. The intellectual who thinks that property rights protect industrialists alone should remember that his thought to that effect is also at stake: his ivory tower is, in the end, a piece of real estate like any other, subject to the same trespasses. The right to property is the means by which men take the responsibility, and enjoy the success, for using their minds productively — regardless of what their product may be. Both our standards, then, suggest that the free market is the social system most favorable to productiveness. Ironically, however, the left employs both these standards in attacking the market.

We may take these in order, starting with the values aimed at. A productive man, we said, pursues a certain end: he seeks to provide for his needs, to produce values, with life as the standard of value. The left, accordingly, argues that the market is insensitive to man's true needs, his real values. Denouncing what they see as the capitalist traffic in technological baubles, the left issues a call for a new system that will focus men's energies on the things of real value to them.

Of prime importance here is the criterion by which the left claims to distinguish true from spurious needs. Unfortunately, few writers feel obliged to make explicit their criteria. With the presumption of

oracles — though not, alas, with oracular brevity — they simply inform us that we do not "really" need tobacco or travel, that "true" culture cannot flourish under the principle of trade. I have even heard one lady of the left assert, with an injured air, that she cannot find on the market the precise kind of bread she wants, and what, please, are you gentlemen of the laissez faire school going to do about it? It would be helpful if we knew the standards which lie behind such judgments; it would be helpful, but not essential. For they all make a common mistake concerning the nature of values.

An example will illustrate. One of the left's favorite targets is the automobile. Very well: let us ask what we *really* need in the way of transportation. If we do not need cars with more horsepower, more comforts, or more pleasing lines, how far must we go to pare off the inessentials? Perhaps the Model T satisfied well enough our need for mobility? Or is that not far enough? People did, after all, manage to move about without it, and even live fairly well by historical standards. But if that is true, we must go on to question the value of the railroad, the bicycle, the clipper, the canoe, and even the cart; for according to this line of thought, our ancestors' survival for millennia without these devices is an unanswerable objection to them.

The point of this reductio ad absurdum is that while the standard of life fixes certain categories of goods as values, it places no upper limit on their quality, after which improvements become superfluous. There is no upper limit on the value we may derive from life. Returning to our example: as long as mobility is a value to man, it will be of value to move faster, in more comfort, in greater style. As long as any value we derive from the world has a cost in our time or effort, it will be of value to reduce that cost. (The principle of marginal utility does not prove the diminishing value of technological progress, *pace* Mr. Galbraith.[2] While first things must come first, this does not mean that they, in themselves, are of more value than last things. The principle of marginal utility does not apply across time.)

This point is quite general; it applies to anything which, by the standard of human life, is of real value. Most of the things that Mr. Galbraith and others cite as instances of our productive excess — the cars, the cosmetics, the computers — *are* goods that satisfy real needs. It is just that they do so better than their predecessors, saving time and effort, or yielding values previously unattainable. The assumption made by those who assert that "the problem of production has been solved" is the wholly arbitrary assumption that there is a limit, fixed somehow by morality, to the satisfaction we may properly derive from the world, and a fixed cost we must pay for it. When we reach this limit, we must, on this view, "redirect our priorities." We must stop trying to improve our own lives, and henceforth devote ourselves to the lives of "the less fortunate," or to the natural environment, or to whatever value the specific author feels takes precedence over the individual pursuit of happiness.

For that appears to be the real target — happiness. There runs through this whole viewpoint an odd note of Calvinistic austerity, a

contempt for the sparkle and celebration of life, a pervasive theme that progress courts perdition. The gloomy speculation that we may, for unspecified reasons, have reached the limits of growth; the consistent sneer at technology and its rationalist base; the suspicion of luxury; the Sophoclean warnings against scientific *hubris;* the prim reminders that one ought not enjoy oneself when there are such grave problems facing the world — these cannot be meant, as those who voice them sometimes claim, to instruct us about our real human needs. Whatever their motive may be, they cannot claim a concern for human life and its improvement as the source for this attack on the market. And if so, we need consider it no longer.

Turning, then, to our second standard, the need for independent judgment in work, one finds that it, too, is directed against the market by many on the left, especially the younger left. Taxing the market with the image of the man in the grey flannel suit, the organization man, they complain that capitalism discourages independence, requires conformity to a foreign code of conscience, enforces the "discipline of consent" on those competing for success. The theme has acquired a tiresome familiarity; even the briefest sampler of leftist bromides would include such items.

In examining this charge, we may take for text Mr. Garry Wills' critique of the market in his book *Nixon Agonistes.* His basic objection is as follows. A market system is a system of competition, and therefore conflict among individuals; but the terms of the conflict are such that one's success is determined by his satisfaction of other people. He must get others to buy his product, lend him money, accept his ideas. In this way the market enforces what Mr. Wills calls the "discipline of consent." It requires an other-directedness that submerges individuality; it renders one "inauthentic." Mr. Wills describes the radical rejection of this system:

> The "discipline of consent," of deference toward others, had to give way to a discipline of self-expression . . . The trouble with this constant deference to others is that one must, as it were, put off one's own deciding and acting until consensus has been reached, until market tests come up with the acceptable products, or precedents, or programs. One must go along with the majority . . .[3]

It is the wishes of others, not one's own rational judgment, that determine action in the marketplace.

This argument is widespread, but fallacious. For as Prof. Von Mises has often explained, the economic calculation of the entrepreneur does not proceed from an awareness of present demand, or the "consensus" currently visible in the market; it is based on his prediction of future demand. Thus even the most slavish, selfless servant of the

people, living only to satisfy their merest whim, would not succeed by waiting "until market tests come up with the acceptable products." But in order to predict future demand, the entrepreneur's safest course, in general, is surely to assume that people will be reasonable, and that if he offers a product of real value, he will be able to persuade people to see it his way. This is certainly true in the basic industries, where standards are tangible and widely agreed upon. To find examples of demand that bear no discernible relation to any rational evaluation of the product, one must turn to such peripheral areas as fashion, or motion pictures — or the literary-academic world from which Mr. Wills addresses us.

Mr. Wills' argument, though important in its own right, is only an instance of a more general error: the failure to understand the marketing aspects of production, or the relation of economic calculation to productiveness. A materialist by nature is not a subtle soul, but materialists on the left are extraordinarily limited in their ability to see productiveness in anything beyond the actual transformation of matter. This applies especially to the function of economic integration performed by capitalists and entrepreneurs, in whose work they see little more than a kind of rapacious paper-shuffling.

That function and its economic importance are familiar from the work of Prof. Von Mises and other students of the market. Thus it is true, as the left believes, that production is rooted in the transformation of the environment. But it is also true that the results of human labor, in terms of such transformation, are greatly increased by the specialization of labor. And the correlate of specialization is exchange. A man's productiveness is measured by his success in providing for his needs; if he himself produces for only one of his needs, he must rely on trade for the others. Thus his ability to gain values by trade, which requires economic calculation, is an integral part of his productiveness. To a certain extent, everyone must exercise such skill; but in an advanced economy, it is the subject of specialization like any other, and the specialists are entrepreneurs. Thus the entrepreneur's is not only a productive ability, it is a precondition of production on the part of everyone.

Now part of the enterpreneur's task is to gauge consumer demand, and it can, of course, happen that this demand, because consumers are slow or even perverse in recognizing value, will not allow the production of a truly valuable innovation. This in turn may prevent the innovator from exercising his productive ability, while rewarding his less able competitors — it represents the kind of social obstacle to productiveness that Mr. Wills would properly lament. But while we may join him in lamenting this fact, we must also ask what alternatives it leaves us with.

One alternative, offered by the older left, is to nationalize the entrepreneurial function, delegating it to a government bureaucracy that oversees all production. And no one, I trust, will contend that this would create a greater outlet for the individual's productive use

of his mind, a greater scope for innovation. The bureaucracy is the natural place of "the organization man" (who, incidentally, is the child, not of capitalism, but of John Dewey's pragmatic ethics of social adjustment). Indeed, the new left rejects the older forms of socialism for just this reason: such centralization, they feel, would cramp individual initiative and creativity. But when they also reject the market, they are left with an alternative that is even worse: a kind of feudal self-sufficiency. And no one could put forward this alternative with human productiveness as his standard. Such a system would mean fewer options for specialization in work, less capital available for translating new ideas into practice, less technology to free men from the drudgery of mechanical labor. The result is hardly favorable to the individual's productive use of his mind. By the standard of rationality, of man's need to produce in accordance with his own judgment, capitalism remains the most beneficial system.

It appears, however, that for the mainstream of the new left — that current that bears us toward the communal ideal — rationality is *not* the standard. Erich Fromm considers art and craftsmanship as the "prototype" of productive work, and feels that the more abstract forms of skill appropriate to an advanced technology are alienating.[4] Theodore Roszak openly advocates a mystical approach to work, a return to magic and ritual, in order that it may be "a fulfilling expression of the personality."[5] Such remarks reveal an allegiance on the left to a new standard of productiveness, the standard of self-expression. In fact, they take us into an entirely different dimension of work.

II

This is the psychological or spiritual dimension. From this perspective, we must evaluate work not by the values produced, but rather by the psychological values man derives from the activity of producing them. And this is a valid perspective. It is secondary in the sense that it depends on the "biological" life-maintaining function of work; but it is not of secondary importance. I cannot agree with Prof. Von Mises that the activity of production is, in itself, pure disutility, preferable to leisure only as a means of acquiring other goods.[6] But if he is wrong in saying that work is intrinsically less valuable than play, the left makes a much worse mistake in saying that work *is* play, or should be. It is this doctrine, this celebration of "spontaneity," that constitutes the most important of the left's arguments against the market.

The argument is developed in Marx's early manuscripts on politics and philosophy. His style is obscure, his thought Hegelian, and his points are three. He starts with the moral imperative of achieving true selfhood, of actualizing one's human potential. This is to be done, secondly, by the outward expression of that potential, by objec-

tifying oneself in the world outside the self. Productive work, thirdly, is the form this objectification must take. Thus the purpose of work is "nothing more than the need to create, to express oneself, to give oneself external embodiment."[7] Capitalism frustrates this need by forcing men to work, not for themselves, but for others; not for the sake of self-expression, but for wages; not at the impulse of their own individual needs and interests, but at the direction of a capitalist exploiting them for his own purposes. Capitalism, it seems, is not the playground we were looking for in a social system.

If this attack on the market seems unintelligibly arbitrary, it is because it relies on the so-called Hegelian method, which is chiefly an insistence on taking certain whimsical metaphors seriously. Much of it can simply be disregarded. But it also contains elements of truth, and these must be rescued from Marxist misinterpretation. Thus it is true that work yields a value to men beyond the value of the things produced. It is also true that this value is connected in some way with one's sense of self. But Marx's analysis of these facts completely obscures and distorts their real significance.

In the first place, Marx thought the spiritual value of work was wholly separate from its value in maintaining one's life, in satisfying one's living needs. In fact, he believed the two ends were incompatible: man, he says, "only truly produces in freedom from such need."[8] That is why ability, the capacity that is to be actualized and expressed in work, is separated from need in the famous formula "From each according to his ability, to each according to his need." Yet this bifurcation of man into a living organism on the one hand, and an objectified self on the other, leaves us utterly in the dark about the nature of this self, and with no standard to determine in what manner of work it can be expressed.

Indeed, the Marxist conception of self-expression actually makes it impossible to have such a standard. For suppose we ask: when *does* work truly express the self? When it expresses man's human potential. And when does this occur? When it is in accordance with man's essential nature. Then what is that essential nature? To be an individual. What kind of individual? One who fully expresses his potential in work . . . Thus we go round in circles. In the end we can only say that any arbitrary activity is expressive of the self if the person in question feels that it is: by what standard could we tell him otherwise? The whole system reduces to the mindless injunction: "Do your own thing." And with this subjective standard we reach a dead end.

We may return, then, to our starting point. Productive work is the activity of producing values, values that form the external end of work. But the activity of producing values is itself a value, it has an intrinsic worth. Just as the things produced satisfy needs, needs that determine what is worth producing, so the activity of producing them satisfies a need. This is the need man has for self-esteem. As a creature of volition, man by nature is in control of what he does, he himself is the source of his own actions. In order to live as a human

being, therefore, he must assume the responsibility of initiating the actions that will maintain his life. The assumption of this responsibility is the virtue we have been discussing all along, the virtue of productiveness; and it is the most important means by which man attains the sense of efficacy, the sense of himself as the subject of his actions, the sense of mastery over the world in which he lives by his own efforts, that is essential to his self-esteem. Self-awareness and its consequence, self-evaluation, are not luxuries bestowed on man above and beyond his animal nature; they are necessary adjuncts to his volition. If his life is up to him, he must be able to achieve the certainty of doing it right.

And here the Marxists fail us. For to achieve this certainty, one must have a standard of success in living, an objective standard against which to place and measure oneself. The subjective standard of self-expression is useless, because it inverts the proper order. Instead of recognizing that one's self-esteem derives from productiveness, the Marxists take the self for granted, and make the standard of productiveness depend on it, on the expression of this mysterious entity drifting somewhere in potency. Moreover, by separating man's sense of self from all production for need, Marx would cut him off from the very root of his self-esteem. For one achieves this internal goal of work precisely by pursuing the external goals. The best way to alienate man would be to force him to live in a perfect communist society, where he can have no idea whose efforts are holding him in existence, while he tries vainly to express a self he has had no way of acquiring.

And the social system that will avoid this spiritual wasteland, the system best suited to man's need for self-esteem? We have already answered this question. For if his self-esteem derives from his productiveness, it will be best served by the system most conducive to the latter. Our two standards stand unamended. And they lead us, by the several paths we have traced, to capitalism, the political economy of freedom.

References

1. Ayn Rand, *Capitalism: The Unknown Ideal* (New York: New American Library, 1967), pg. 17. The thought of these paragraphs is greatly indebted to this and other works by Miss Rand.

2. cf. J. K. Galbraith, *The Affluent Society* (New York: New American Library, 1964), pp. 117-123.

3. Garry Wills, *Nixon Agonistes* (New York: New American Library, 1969), pp. 333-4.

4. Erich Fromm, *The Sane Society* (Greenwich, Conn.: Fawcett Publications, Inc., 1955), p. 37.

5. Theodore Roszak, *Where the Wasteland Ends* (New York: Doubleday & Co., 1973), chap. 12.

6. cf. Ludwig von Mises, *Human Action* (New Haven: Yale University Press, 1949), chap. 7, sec. 3.

7. Richard Schacht, *Alienation* (New York: Doubleday & Co., Inc., 1970), p. 78.

8. Karl Marx, *Early Writings*, ed. and trans. T. B. Bottomore (New York: McGraw-Hill, 1963), p. 127.

"The Founding Fathers, through the Constitution established an entirely new community, which has withstood thus far the onslaught of the modern world (and) maintains itself by its strong atomic equilibrium of freedom, justice and choice."

Roger E. Michener

FREEDOM, JUSTICE, CHOICE AND THE AMERICAN ORDER

"At The University of Chicago, Roger Michener is a member of the Committee on Social Thought, where he is a candidate for the Doctor of Philosophy degree and where he has been appointed Instructor. Bowdoin College, Brunswick, Maine, awarded him the Bachelor of Arts degree in 1969 for study in philosophy and religion, and he holds higher degrees from The University of Chicago.

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"He has held staff positions at the Library of Congress, Washington, D.C., where he was instrumental in preparing the prospectus for the in-excess-of six hundred volumes *Pre-1956 Imprints National Union Catalog* and where he assisted in establishing the National Program for Acquisitions and Cataloging, both vast bibliographic undertakings that have markedly altered the patterns of national bibliographic control and library service. And recently he has worked for the National Endowment for the Humanities assisting in preparing and evaluating a major project for the American Issues Forum in celebration of the American Bicentennial.

"Mr. Michener has wide-ranging and diverse intellectual interests for which he was accorded numerous academic honors and fellowships. He is a student of philosophy, history, modern literatures, jurisprudence, the classics, and the broad grouping of disciplines called the social sciences. He has lived abroad and, following a stay in Rome, was called upon to translate into English a series of articles for the eminent Italian philologist, Professor Carlo Ferdinando Russo, editor of *Belfagor,* involving a new structuralist interpretation of Homer.

"In the Committee on Social Thought, where he is a student of Mr. Saul Bellow and Professor Edward Shils, Roger Michener is involved with the study of the ideal state and utopia, and the rise of the twentieth century phenomenon of dystopia. He plans to spend the next academic year in Munich, Germany, at the Ludwig-Maximilians Universität under Professors Nikolaus Lobkowicz and Jürgen Habermas studying the German development of the ideal state and social theory in the nineteenth century in conjunction with the growth of technology and socialism.

"Before retiring each evening, he reads a canto from the *Divina Commedia.*"

I. Freedom

The creative powers of a free civilization always will remain in some measure a mystery to us. No individual can foresee the effect of the spontaneous forces of society, nor can one judge what adaptation to tomorrow they will demand. Nobody has a complete description or knows the full significance of the requirements of change. The American nation's faith in freedom implies reliance on forces which we cannot control for the achievement of some of our ends, and a confidence in the blossoming of unforeseen solutions to some of our problems from sources that we least suspect. If there is an advance in civilization, it consists largely in the emergence of new knowledge, new abilities, and new men. They are new because they deal with issues and forces unknown to the past and embody value likely not to be recognized until long after they have benefited the community.

Indeed one of the first things of which we must be aware is that the case for individual freedom rests largely on the recognition of our necessary and inevitable ignorance of most events on which our welfare depends. If we were omniscient, which includes of course our complete foresight of our future wants and desires, there would be little case for freedom — and freedom, conversely, makes complete foresight impossible. It is essentially in order to leave room for the unforeseeable and unpredictable, because we have learned to expect from them the opportunity to achieve many of our aims, that we want freedom. It is because every individual knows so little, and, in particular, because we know hardly ever *who* knows best, that we trust to independent and competitive efforts for the emergence of what we shall want when we see it.

The case for freedom, connected with the recognition of the limitations of our knowledge, applies also to the justification of our use of general, abstract rules in morals and laws. If everyone were in full agreement on what are the ends to be achieved and if everyone knew all the relevant facts, there would be no need for such rules; we would do whatever in the circumstances would serve our particular ends best, inasmuch as adherence to any general, abstract rules, which produce desirable results always on the whole or in the average, would be an obstacle rather than a help.

To an even higher degree than is true of these specific rules it is true of the general principle of individual freedom that we can never be certain that it will produce the best or even a desirable solution of a particular problem. We, therefore, cannot confine liberty to the specific cases where we know it will do good, and surely freedom which is granted only where its particular effects are known to be beneficial would not be freedom. If we knew how freedom were to be used, the case for it would largely disappear: we might achieve the same results by telling people to do what freedom is to enable them to do. But we shall never receive the benefits of freedom, never achieve those unforeseeable new developments for which it is to provide opportunity, if freedom is not granted also where the uses made of it seem not desirable. The argument against individual freedom that it is fre-

quently abused, or not used for the ends which are socially desirable, is, therefore, no argument. Our faith in freedom rests on the belief that it will release on balance more forces for the good than for the bad, not on any demonstrable results in particular instances.

Our belief in freedom is essentially of the nature of a prejudice. Whether we call such a creed a presumption, or even a superstition, it must be adopted as a general principle that cannot be infringed except on very strong grounds if the belief is to be effective, which as a principle should outweigh considerations of mere expediency in achieving any particular purpose. Unless some such rigid rule is upheld stubbornly as a basic political conviction, about which there can be no bartering for material advantages, and which can be suspended only temporarily during a passing crisis, freedom is almost certain to be smothered by progressive encroachments: since in each particular case a concrete and tangible advantage will be offered as the prize for some curtailment of freedom and the consequent sacrifice of some unknown and uncertain benefit. That it is in every particular field only chances and not certainty which a free society can offer, opportunities and not gifts that it can produce, would in any case weaken greatly its resistance against piecemeal dismemberment.

For nearly two hundred years the Western world has affirmed a definite conception of freedom which in practice provided partially definite answers to the crucial issue, the conception of a protected private sphere of the individual within which he could pursue his personal ends without the intervention of arbitrary coercion. This conception lies next the institution of private property and the decentralization of the control over our resources which makes it possible. And not only for those who own private property is this an essential condition that such a protected private sphere of the individual exists. The possibility of contracting for the use of property may never occur in a society where the control of all resources is vested in the State. While such vesting requires that the government have the monopoly of coercion, it also requires that this coercion be limited to the enforcement of known rules and that the government have no other monopoly on the essential means of life. Even so, there are some problems as Max Weber warns:

> The exact extent to which the total amount of 'freedom' within a given legal community is actually increased depends upon the concrete economic order and especially upon the property distribution.[1]

The traditional ideal of freedom pivots on John Locke and doctrines of English Whigs. The whole European liberal movement and the American political system are based on the doctrine known as the Rule of Law. In this tradition, Kant is the great fructifier. He stands at a critical crossroad in modern political thought. He is, in an important sense, the completer of liberalism. He provides a philosophic ground for, and codifies, the doctrine of the rights of man — the

inviolable sphere of freedom and "privacy" secured and guaranteed through law and peace. He detaches these rights from their original grounding in passion and self-interested calculation and furnishes them with a kind of sacred absoluteness and moral dignity. If a particular action violates the freedom of others, then the use of coercion to counteract it is "the prevention of a hindrance to freedom and is consistent with freedom . . ." In truth, since freedom is purely external and cannot invoke the concept of duty (consciousness or obligation), it relies necessarily on "the principle of the possibility of external coercion that is compatible with the freedom of everyone . . ." [2] Again Weber has his word, more as a modifier than as a discounter of Kant:

> A legal order which contains ever so few mandatory and prohibitory norms and ever so many 'freedoms' and 'empowerments' can nonetheless in its practical effects facilitate a quantitative and qualitative increase not only of coercion in general but quite specifically of authoritarian coercion.[3]

But this is a twentieth-century dampening of the traditional ideal of freedom expressed by Kant as he speaks of the idea of the best political order as

> a constitution allowing *the greatest possible human freedom* in accordance with laws by which *the freedom of each is made to be consistent with that of all others.*[4]

The criterion and guarantee of freedom that the Rule of Law offers is that while the government has its own separate resources and servants which it administers for common purposes, the private citizen has his own free sphere and resources which are not the object of administration by the government and in which he is subject to coercion only in application of previously known general rules, applying equally to all and excluding all discretionary and discriminatory powers. The essential safeguard of this principle was that every act of coercion by the State was subject to revision by independent courts which would decide whether such an act of coercion was a necessary consequence of existing law. The effect of this was that coercion was limited to instances which could be foreseen by the citizen, that, so far as is humanly possible, he would know in advance what he was free to do and would be able to formulate and pursue his own aims and plans without fear that he would be frustrated by *ad hoc* action of authority and without the need to obtain permission or to obey specific orders of any authority.

This conception of freedom, which closely recognizes a private sphere and private ends that are not subject to the administration of the government, has been eroded progressively during the past forty years, and no other conception of freedom has arisen to take the place of the badly mutilated Lockean tradition. Freedom and private property are inseparable; anti-property doctrines which have gained as-

cendancy and held sway in our time have destroyed almost completely the understanding for this essential condition of freedom. The significance of property for personal freedom is great if the Kantian ideal is to be realized. Without private, decentralized control of the means every person needs for life and for individual ends, there can be no freedom.

Freedom, property, the State, and coercion are bounded and contained by justice. While there appears to be some ready certainty in understanding these first concepts, nothing like that surrounds the understanding of justice — only dispute and finally choice.

II. Justice

In the first book of Plato's *Republic* there occurs a quarrel between Socrates and the sophist Thrasymachus over the central question of the entire dialogue: What is justice? Thrasymachus responds readily with the notorious contention that "justice is the interest of the stronger," which he then elaborates to mean that in every society the norms and standards defining what is just and what unjust are set by the ruling elite, the strongest group in society, acting in its own interest — apart from the constraints of freedom.[5] Socrates does not proffer his answer until much later; when he does, he formulates it in several different but related ways. A summary might be: "Justice is everyone having and doing what is appropriate to him."[6] Socrates and Thrasymachus disagree fundamentally. Yet further reflection reveals that they disagree so fundamentally that they do not really *disagree* at all.

The dispute between Socrates and Thrasymachus has modern parallels central to political and social concerns. The modern versions, too, generate the feeling that both sides might have something important to say, but that their arguments do not meet. The most obvious modern successor to Thrasymachus is the Marxist doctrine of ideology as false consciousness. According to this doctrine, human culture is only a reflection, a super-structure on the economic base of a society; the accepted standards and values and meanings embodied in the culture are a reflection of class interest. So what things people call "just" or "beautiful" or "good" are determined by what is in the interest of the ruling class in any society. "The ruling ideas of each age have been the ideas of its ruling class."[7] Every ruling class suffers from a "selfish misconception" which "induces" it to "transform into eternal laws of nature and of reason the social forms springing from" the modes of production and the forms of property at that time.[8] Like Thrasymachus, the Marxist teaches what people call "just" is really only in the interest of the ruling class.

But Socrates, too, reappears, for instance in the guise of Karl Barth, who maintains that no such debunking argument can destroy the *ideas* of justice, truth, beauty, or goodness — the ideas that people mean to talk about when they call things just, true, beautiful, or good. For

> Whatever is meant by the idea of justice or of truth cannot be

> shaken by proving that what was taken for justice or truth in concrete cases was merely the precipitate of the political or economic advantage of some social class. Even if it can be shown that interests — those determined by personal relationships and those determined by class relationships — exercise an undeniable influence over what people consider as the measure of justice or truth; still, this dependence does not vitiate the fact that what the order considered just — was taken to be — was precisely a *just* order.[9]

In other words, even if everything people consider just is really in the interest of the strong, by calling it "just" they did not mean to say that it is in the interest of the stronger. Rather they meant to invoke the (Socratic) idea of justice.

The dispute is also reminiscent of certain basic methodological issues in social science. The Thrasymachean social scientist will argue, with Marx and Durkheim, that men's ideas about themselves are not to be taken at face value. "Just as our opinion of an individual is not based on what he thinks of himself," the science of society cannot understand a society "by its own consciousness; on the contrary, this consciousness must rather be explained" itself.[10] Social life is explained scientifically if it is explained "not by the notions of those who participate in it, but by more profound causes which are unperceived by consciousness."[11] The Socratic response is likely to be that human actions are understood only through the intentions and motives of the actors in terms of the actors' concepts and norms. This orientation will stress empathy and *Verstehen* as instruments in the study of man, a phenomenological rather than a behavioral approach. Each side is convinced it is right. Thus, for example, Ludwig Feuerbach argues that gods are only human inventions, projections of our deepest values, needs, and hopes.[12] A modern theologian is likely to respond that gods are nothing of the sort; "God" means something wholly different from that. "It is just muddle-headed to suppose that when you say something about God what you 'really mean' is something about men."[13]

The quarrel between Socrates and Thrasymachus seems thus to exemplify a pervasive and significant issue, and it would be nice to understand its nature.[14] What are they disagreeing about? Words? Facts? Values? The meaning of "justice" has to do with, after all, what people intend to convey in saying it, not with the features of the phenomena they say it about.

The problem and meaning of justice, here exemplified in the discussion of Socrates and Thrasymachus, are ones of intentionality, but also ones of choice. Without choice there is no intentionality. The notion of choice (and of opportunity), which imbues intentionality with meaning, is a central one that poses constant dilemma in Western thought, particularly in matters moral.

III. Choice

"Is everything permitted?" runs the famous line of Dostoevsky. For Nicolò Machiavelli, who made the notion of ethical choice starkly and uncomfortably clear to Western civilization for the first time, the answer would be, "Yes, if the end — that is, the pursuit of a society's basic interests in a specific situation — cannot be realized any other way."

Machiavelli's cardinal achievement is his uncovering of an insoluable dilemma, the placing of a permanent question mark in the path of posterity. It stems from his *de facto* recognition that ends equally ultimate, equally sacred, may contradict each other, that entire systems of value may come into collision without possibility of rational arbitration, and that not merely in exceptional circumstances, as a result of abnormality or accident or error — the clash of Antigone and Creon, or the story of Tristan — but as part of the normal human situation. For those who look on such collisions as rare, exceptional, and disastrous, the choice to be made is a necessary and agonizing experience for which, as a rational being, one cannot prepare. One chooses as one chooses because one knows what one wants, and is ready to pay the price. So, too, one chooses one's environment or style of life. All that matters to Machiavelli is that men who prefer solitude or martyrdom not be allowed to meddle with politics, economic systems, education, or any major factors in human life; their outlook unfits them for such tasks. Machiavelli does not assert explicitly that there is a pluralism or even a dualism of values between what conscious choices must be made. But this follows from the conduct that he admires and that he condemns. If what Machiavelli believes is true, this undermines one major assumption of Western thought: namely that somewhere under some condition there is to be found the final solution of how men should live. For Machiavelli, there are at least two worlds in this proposition: each of them has much to be said for it; but they are two and not one.

One is obliged to choose; and in choosing one form of life, give up the other. That is the central point. If Machiavelli is right, if it is in principle impossible to be morally good and do one's duty as this was conceived by common European, and especially Christian, ethics, and at the same time rebuild Sparta or Periclean Athens or the Rome of the Republic or even the Antonines, as was his goal, then a conclusion of the first importance follows: that the belief that the correct, objectively valid solution to the question of how men should live can in principle be discovered is, itself in principle, not true. For the time in which Machiavelli wrote, this was an *erschreckend* proposition. For later times, it was equally horrible. Marsilio, Hobbes, Spinoza, and, in their fashion, Hegel and Marx tried to deny it. Machiavelli did not, and in so doing slew Western monism and introduced choice into political and economic actions.

To expatiate, one of the deepest assumptions of Western political thought is the doctrine, scarcely questioned during its long ascendancy, that there exists some single principle which not only regulates

the course of the sun and the stars but prescribes also to all animate creatures their proper behavior. Animals and sub-rational beings of all kinds follow it by instinct; higher beings attain to consciousness of it, and are free to abandon it, but only to their doom. This doctrine, in one version or another, has dominated European thought since Plato; it has appeared in many forms, and has generated many similes and allegories; at its center is the vision of an impersonal Nature or Reason or cosmic purpose, of a divine Creator whose power has endowed all things and creatures each with a special function; these functions are elements of a single harmonious whole, and are intelligible in terms of it alone. The idea of the world and of human society as a single intelligible structure is at the root of all the many various versions of Natural Law — the mathematical harmonies of the Pythagoreans, the logical ladder of Platonic Forms, the genetic-logical pattern of Aristotle, the divine *logos* of the Stoics and the Christian churches and of their secularized offshoots. The advance of the natural sciences generated more empirically conceived versions of this image as well as anthropomorphic similes: of Dame Nature as adjuster of conflicting tendencies (as in Hume or Adam Smith) or of Nature as embodied in the actual customs or habits of organized social wholes; biological, aesthetic, psychological similes have reflected the dominant ideas of an age. This unifying monistic pattern is at the very heart of traditional rationalism, religious and aesthetic, metaphysical and scientific, transcendental and naturalistic, that has been characteristic of Western civilization. It is this rock, upon which Western beliefs and lives had been founded, that Machiavelli seems, in effect, to have split open. So great a reversal cannot, of course, be due to the acts of a single individual. It scarcely could have taken place in a stable social and moral order; many other than he, ancient Sceptics, medieval nominalists and secularists, Renaissance humanists, doubtless supplied their share of the dynamite.

When such questions, as what are the ends of life?, were discussed in earlier periods, it was assumed normally that the perfect society could be conceived, at least in outline; for otherwise what standard could one use to condemn existing arrangements as imperfect? It might not be realizable here, below on earth. Men were too ignorant or too weak or too vicious to create it. Of it was said that technical means were lacking, that no one had discovered yet methods of overcoming the material obstacles to the golden age; that we were not advanced sufficiently technologically or educationally or morally. But it was never said that there was something incoherent in the notion itself. Plato and Stoics, the Hebrew prophets and Christian medieval thinkers, and the writers of utopias from More onward had a vision of what it was that men fell short of; they claimed, as it were, to be able to measure the gap between the reality and the ideal. But if Machiavelli is right, this tradition — the central current of Western thought — is fallacious. For if his position is valid then it is impossible to construct even the notion of such a perfect society, for there exist at least two sets of virtues — let us call them the Christian and

the pagan, as Machiavelli would — which are not merely in practice, but in principle, incompatible. None of the groups or schools of Western empirical or rational thinkers, even with their profound disagreement over moral issues, had suggested that there might exist ends — ends in themselves in terms of which everything else was justified — which were equally ultimate, but incompatible with one another, that there might exist no single universal overarching standard that would enable a man to choose rationally between them. This was a profoundly upsetting conclusion. It entailed that if men wished to live and act consistently, and understand what goals they were pursuing, they were obliged to examine their moral values. What if they were compelled to make a choice between two incommensurable systems purporting the same result (like Socrates and Thrasymachus), to choose without the aid of an infallible measuring rod which certified one form of life as being superior to all others and could be used to demonstrate this to the satisfaction of all rational men? Was it, perhaps, this awful truth, implicit in Machiavelli's exposition, that has upset the moral consciousness of men (it certainly has allowed for competing systems in the economic sphere and for equal understanding of opposing systems - collectivist versus individualist), and has haunted their minds so permanently and so obsessively ever since? Machiavelli did not himself propound it. There was no problem and no agony for him; he shows no trace of scepticism or relativism; he chose his side and took little interest in the values that this choice ignored or flouted. The conflict between his scale of values and that of conventional morality clearly seems not to worry Machiavelli. It upsets only those who came after him who were neither prepared, on the one hand, to abandon their own moral values (Christian or humanist) together with the entire way of thought and action of which these were a part; nor, on the other hand, to deny the validity of, at any rate, much of Machiavelli's analysis of political facts, and the (largely pagan) values and outlook that went with it embodied in the social structure which he painted so brilliantly and convincingly.

Whenever a thinker, however distant from us in time or culture, still stirs passion, enthusiasm, or indignation, any kind of intense debate, it is generally the case that he has propounded a thesis which upsets some deeply established *idée reçue*, a thesis which those who wish to cling to the old conviction nevertheless find it hard or impossible to dismiss or refute. This is the case with Plato, Hobbes, Rousseau, Marx. It is Machiavelli's juxtaposition of the two outlooks — the two incompatible moral worlds, as it were — in the minds of his readers, and the collision and acute moral discomfort which follow that has over the years led to a number of desperate efforts to interpret his doctrines or to dilute them to a weak palatability. Despite these attempts, the reluctance to face or to discuss the actualness of his writings persists, the uncomfortable truth that Machiavelli has, unintentionally, almost casually, uncovered, namely, that not all ultimate values are necessarily compatible with one another — that there may be a conceptual and not merely a material obstacle to the

notion of the single ultimate solution which, if it were only realized, would establish the perfect society.

IV. The American Order

If nothing else, America has sought perfection. America has searched for perfection of both a conceptual and actual sort until its utopianism has tinged every cultural, political, and ethical position leaving the unmistakable mark of its dye. But all the American concerns for perfection have been shaped in terms of Enlightenment liberalism, which identified perfection with progress. "Conservatism" in America has been little more than a dessicated variety of liberalism, bereft of faith but clinging to the institutions supplied by liberals of the past, and it has been one of the few forces to stand against progress and therefore perfection. In the contemporary right it is possible to identify the liberal orthodoxy of the nineteenth century, now, unhappily, even more embittered and lacking the generous hope of the eighteenth-century founders of the creed.

That nearly unchecked dominance is not difficult to explain. The United States was, after all, founded on liberal doctrines, and deviation from them has had a suspect, even alien, quality. Too, the liberal philosophy was the basis of modern science and reason, and those who argued from different premises were forced to state them in liberal terms in order to be listened to by rational man.

And so much of the American experience seems to confirm the great liberal theses. The creation of American institutions was the almost visible demonstration of the struggle against nature, the social contract, the superiority of individual decision, science, and contrivance over custom and natural law.

Those who turned from the individualism of "natural right" often sought their explanation of American thought and practice in the environment itself, crediting geographic isolation, the "frontier," with distinctive and essential contributions to the making of American culture. Such doctrines appealed at these times when the philosophy and metaphysic of the eighteenth century seemed hard to defend, for they enabled men to reach the prescriptional liberalism without its theory. If man were not "by nature" and universally free, equal, individualistic, and democratic, then something "in nature" must make him so in America. (Nor were such theorists much different from *The Federalist,* whose authors appreciated their unique opportunity, or from Jefferson, passionately eager to defend the benefits of the American clime.)

Yet De Tocqueville was right; too little is accounted for by either the laws and doctrines or the environment of America, or by both together. Neither can explain truly the American reverence for the Constitution, which invests it with a moral value independent of its value as a device for obtaining results. More important, they explain nothing of the theory of man as an "individual personality," requiring and depending on others for the development of his moral being, in

sharp contrast to Enlightenment individualism (so impressively lauded in Emerson's *On Self-Reliance),* which saw man as morally complete. Where the liberal theorist saw individual freedom and equality as means to produce good policy, others have insisted on civic freedom and equality as ends which good policy should produce. The vision of the political order as an educational community has never been displaced entirely by the technological vision of the eighteenth century, and the binding of progress to perfection that technology implied. G. K. Chesterton spoke with insight when he stated America was based on

> . . . the pure classic conception that no man must aspire to be anything more than a citizen, and that no man shall endure to be anything less . . . the idealism of America . . . still revolves entirely around the citizen and his romance . . . there is an army of actualities opposed to that ideal, but there is no ideal opposed to that ideal.[15]

No ideal opposed to that ideal. This poses again, for America, the problem of choice in the moral sphere originally propounded by Machiavelli. The most perceptive writers of American politics and institutions have seen always that American culture is deeply dualistic, that the domination of its formal thought by the Enlightenment does not exclude an informed tradition of symbols, rituals, and arts and letters based on very different notions of man and politics. At its best this dualism has expressed a wisdom and truth that the Enlightenment did not possess solely, and it has provided always the emotional and symbolic basis for the appeal for individuality and flexibility — choice — surrounding the notions of freedom and justice in American politics.

Epiphenomenal to this American dualism comes the idea of individualism. Although it is derivative from the dualism, it is importantly so for considerations of freedom, justice, and choice. Frank Knight writes:

> The establishment of individualism was the result of the desire for improvement . . . Hence each individual must be given responsibility, freedom of choice, a wider sphere of self-expression than he can have in a system of organization where control is specialized and concentrated to the last degree.[16]

Irving Kristol, a contemporary voice, seeking to reinstate the human dignity of the individual that has been so deprived him in industrial democracy, despairs of our current collectivist efforts at welfare reform. "Welfare," he writes

> is wreaking devastation on the American poor — making the child fatherless, the wife husbandless, the husband useless. We see this 'welfare explosion' happening and, disconcerted, turn this calamity of our own creation into an indictment of the social order . . . It really is a curious phenomenon we are wit-

> nessing: a nation preferring to live under a perpetual, self-inflicted indictment of 'social injustice,' and amidst an ever-swelling and ever-demoralized population on the dole, rather than revise its utterly fanciful and utopian idea of human nature . . . What is true of welfare is even more blatantly true of our other social problems.[17]

Whatever the difficulty of our social problems, there is room for optimism so long as belief is held in the creative powers of a free civilization, and, encircled by justice, the opportunities for freedom and choice exist. Each of these originally *wertfrei* categories has combined into a hard atom laden with moral value to form American dualism; and it is from this tough, ethical dualism, accompanied by individualism, that the American system derives its strength and continuity.

It may be observed in this century of revolution that American dualism recently has been producing modified types of mental outlook that could prove more suitable for a totalitarian than for a free society. Economic planning, collectivist action, social reform undermine the fundamental bases of American dualism, and they strike, thereby, at individual freedom. Most plans for reform, if not devastating as Kristol suggests, are, as John Stuart Mill noted a century ago, "libertycide." Any smothering of the spontaneous forces that equilibrate American dualism will alter seriously the balance among the elements that created it — freedom, justice, and choice.

Governmental tinkering for uncertain or immediate political goals directed to piecemeal changes in the economic and social order is a high price to pay for unbalancing or short-circuiting a delicate, vital electrical system that has provided for Western civilization so much as well as representing a culmination of Western thought.

Perhaps there is not too much to fear. In this century of revolution, which has in all cases led into totalitarian or tyrannical political bodies, one successful revolution stands at the threshold of the modern world. The American Revolution in which the Founding Fathers through the Constitution established an entirely new community that has withstood thus far the onslaught of the modern world (even though its specific modernity shows itself nowhere more radically than in American society) maintains itself by its strong atomic equilibrium of freedom, justice, and choice. Because of these elements, American dualism and its system of opportunities, risks, and rewards, which have brought greater spiritual and material benefit to its populace than any other, stands firm. Even in an age of revolution, totalitarianism, and moral senescence that seeks to encroach on every sacred element of life, the American system is sound because progress and perfection are still securely linked and because with this linkage, "there is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things."[18]

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"The free market is not a sufficient condition for a virtuous society. That result cannot be achieved by an institutional framework; it depends on the decisions of free men."

John H. Beck

THE FREE MARKET AND THE OPPORTUNITY FOR VIRTUE

"John H. Beck was born February 6, 1949, in Kenosha, Wisconsin, to Mr. and Mrs. Henry Beck. He attended the public schools of that city and graduated from Tremper High School in 1967. In that year he was awarded a Shell Merit Scholarship and a Wisconsin Elks scholarship in a contest on the United States Constitution. Also in 1967 he wrote an earlier essay on the free enterprise system which won fourth place in an essay contest sponsored by the American Association of Physicians and Surgeons.

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"The 1964 Goldwater campaign had first aroused his interest in libertarian-conservative philosophy, but in the liberal environs of Kenosha those with libertarian sympathies were virtually nonexistent. He found support for the libertarian view only through the private study of the works of Friedrich Hayek, Milton Friedman, Frank Meyer and Ludwig von Mises and in the pages of an unfortunately short-lived magazine called *Rally*. It was not until he attended Michigan State that he became involved with others of a similar persuasion through the campus activities of the College Republicans and the Intercollegiate Studies Institute.

"After a year of part-time graduate study at Northern Illinois University, he returned to Michigan State on a Weaver Fellowship in 1972, completing his M.A. in Economics in 1973. As a diversion from academic pursuits he wrote a satire on 'The History of Legalized Prostitution' which appeared in the *National Review,* July 5, 1974.

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The purpose of this essay is to elucidate the relationship between the market economy and the moral objectives of society. A market economy provides for private property rights and voluntary exchange between individuals. The role of government in this system is to establish the framework in which economic activity occurs rather than to direct particular acts.[1] While government in a market economy is basically limited to protecting individual parties from fraud and coercion, intervention may be justified in cases of neighborhood effects and monopoly.[2]

It should be noted that while the American economic system is generally described as one of free enterprise and the great progress of the United States' economy has been largely due to those features which have followed free market principles, when speaking of a market economy in this essay reference is not to the system that does in fact exist in the United States but to an idealized concept with the characteristics described above.

I

By *liberty* or *freedom* we mean "that condition of men in which coercion of some by others is reduced as much as is possible in society."[3] Note that freedom involves a minimum of coercion, not its total absence. Conflicts between individual interests necessitate some coercion, but in a free society coercive acts will be limited according to Mill's dictum that "the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others."[4]

In a free society of imperfect men such freedom will mean that men will commit many immoral acts which they might not commit in an authoritarian society *if* the laws adhered to true standards of virtue and *if* such laws were effective in influencing men's behavior. But the satisfaction of the latter conditions in the authoritarian society would not create a more virtuous society. The relation between freedom and virtue has been well expressed in the writings of the late Frank Meyer:

> Virtue, which is only virtue when freely chosen . . ., is made inaccessible to the coerced citizen.[5]

> Freedom, then, is a necessary political condition of a virtuous society, not only because the high likelihood is that the standards imposed by men with the power of the state would not in fact be virtuous standards; but also because, even if they were virtuous, to impose them upon individual persons would immensely reduce their ability to act virtuously at all and absolutely destroy their potentiality for active, creative, positive virtue.[6]

Meyer wrote of the broad concept of liberty of which economic freedom is only a part. One might then acknowledge the validity of Meyer's argument and yet maintain that economic freedom is of little

significance in regard to the freedom of choice essential to virtue. Material goods are not the only ends or the most important ends at which men aim in a virtuous society. But to say that economic freedom is not an essential condition of a virtuous society would be a grave error for even nonmaterial ends often require material means. The Christian's eye may be on a reward in heaven, but in a society without private property how can he fulfill his individual responsibility of charity if he owns nothing to give? To vote for the state to dispense its largesse to the poor can hardly be considered an act of charity by the individual voter whose own welfare is little directly affected by such a distribution.

The relationship of economic freedom to morality is not limited to such instances where command over material resources is a means to a moral end. There is also an indirect relationship; the preservation of economic freedom is an important defense of the broader concept of human liberty.

> The fundamental threat to freedom is power to coerce. . . . The preservation of freedom requires the elimination of such concentration of power to the fullest possible extent and the dispersal and distribution of whatever power cannot be eliminated — a system of checks and balances. By removing the organization of economic activity from the control of political authority, the market eliminates this source of coercive power. It enables economic strength to be a check to political power rather than a reinforcement.[7]

Let us consider for an example one component of political liberty, freedom of the press, and how economic freedom is essential for its survival. This is illustrated by a 1970 newspaper account of a press shutdown in South Vietnam as a result of economic regulation:

> Daily newspaper publishers in South Vietnam called Sunday for a one-day newspaper strike to protest the government decree hiking the price of newsprint 100 per cent. The publishers struck for three days early last week on the same issue.[8]

One might argue that a government more concerned with the free flow of information would not have adopted an economic policy discouraging the publication of newspapers. But the material resources in question — newsprint, ink, etc. — are *scarce* resources; the quantities men desire to use exceed the available supply. Even a socialist state desiring to allow the publication of all views must impose censorship in the sense of not publishing everything that somebody might wish published. Scarcity imposes the same restraint on publication in a market economy, but, while in the centrally directed socialist society the one state authority will decide who is to publish, in the market economy there are a multitude of owners of the scarce resources, any one of whom may decide to use them for the publica-

tion of some particular writer's work. In either society a writer may fail to get his work published, but in the market economy the dispersion of control over resources gives the writer many more chances of persuading someone who has the power to publish his work. Motivated by the desire for profits, Simon and Schuster published *Do It* although they have no great selfish interest in the furtherance of Jerry Rubin's ideas. Would a state-owned enterprise have any incentive to do the same?

Similar examples of how economic freedom is a support to liberty could be given. Seeing the necessity of human liberty for virtue to be meaningful, we may then join Wilhelm Röpke in saying of the market economy:

> this is the only economic order compatible with human freedom, with a state and society which safeguard freedom, and with the rule of law. For these are the fundamental conditions without which a life possessing meaning and dignity is impossible for men of our religious and philosophical convictions and traditions. We would uphold this economic order even if it imposed upon nations some material sacrifices while socialism held out the certain promise of enhanced well-being.[9]

But such a sacrifice of material welfare is not necessary. The market system is at one time desirable as a necessary condition for human liberty and as the best means of providing for men's material welfare.

II

Any economic system must deal with the problems of what goods and services should be provided and how limited resources should be used to produce these goods and services. In a centrally directed economy a solution to these problems would require that the few individuals in control be able to utilize an enormous amount of information about consumer needs and tastes, possible production technologies, and resources available in the system. But men have failed at numerous attempts at the successful central direction of a complex economy. One may cite the 1962 projection of British economic planners of an annual increase of fourteen per cent in auto production between 1961 and 1966. Not bound by the intellectual limitations of the planners, the British auto industry increased production by ninety per cent in the first three of those five years.[10]

Perhaps the inability of government direction to perform satisfactory economic calculations is more forcefully brought out by an example which does not loom large in the national production statistics but hit particularly close to this writer, whose former high school had a federally subsidized school lunch program which used surplus com-

modities in its menu. The government employees responsible for planning the menus performed tolerably well in planning nutritionally sound menus utilizing the available surplus commodities, but their calculations were intolerably wrong as to consumer tastes — if such considerations counted with them at all. Their grossest error was a menu featuring spaghetti — with peanut butter sauce! Nutritionally sound, with plenty of protein, it did use a surplus commodity, but it hardly contributed to the welfare of the intended consumers because nutritious food must first be ingested to be beneficial and little of that concoction was eaten by those students. This incident illustrates that well-being cannot be calculated merely according to the biological requirements necessary to support life. The subjective preferences of consumers must be taken into account.

The market mechanism surmounts the difficulties of economic calculation by allowing each individual to act in light of the information he has and thus avoids the necessity of concentrating information about the entire system in one mind which then directs all activity. Each consumer determines the combination of goods he will consume by expending his budget in a manner which he feels will maximize his well-being in light of the prices of goods and services determined by the market. The consumer need not know all the alternative opportunities foregone to produce a particular good; such information as he needs is implicit in the prices of the goods he purchases. Similarly, the entrepreneurs who control economic resources, when they discover positive profits where consumer demand has bid up prices, will allocate more resources to the production of these goods and will use the factors of production in such a manner as to minimize their costs according to their knowledge of technology and factor prices. These entrepreneurs act without any need of all the information about all consumer tastes and all alternative uses of resources. The information relevant to their decisions is reflected in market prices. More resources will be directed into the production of goods currently in short supply in the eyes of consumers, and resources will be directed away from the production of goods in excess supply.

In the foregoing description of the market mechanism, individuals pursuing their "selfish interests" are led to act for the "public good." As Adam Smith described a participant in this process,

> . . . by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.[11]

Thus the market system not only allows men to act virtuously out of beneficent motives; within the appropriate legal framework it also encourages acts for the public good by men with less noble motivations. It elicits "good" acts from "bad" men. In a society of imperfect

men this is not the least of the market's advantages.

While recognizing that the market to some extent appeals to men's baser motives, we should not interpret the classical economists' references to self-interest as a motive force to exclude altruistic motivations. As Hayek points out,[12] the self referred to may include not only the individual in question but also his family, friends and anything about which he is concerned. According to this interpretation, the view of self-interest as the primary motive in economic activity is not so much a view of man's limited moral capacities but of his limited intellectual capacities. He may indeed be willing to act for the welfare of others but the sphere of men whose needs he knows well enough how to serve is narrow. It is only when he directs his actions toward these more immediate goals that he is likely to contribute most to human welfare.

Arguments for the market system sometimes assume each individual is the best judge of his own interests. If such an assumption were necessary, the argument for the market system would rest on shaky foundations indeed. Rather, as Hayek, puts it,

> The true basis of this argument is that nobody can know *who* knows best and that the only way by which we can find out is through a social process in which everybody is allowed to try and see what he can do. The fundamental assumption, here as elsewhere, is the unlimited variety of human gifts and skills and the consequent ignorance of any single individual of most of what is known to all the other members of society taken together.[13]

In a particular situation it might be better, both for the individual and for society, to compel an individual to pursue some particular course of action. But only by adopting a policy of freedom may activities that are folly, in the view of current wisdom, be carried on, and it is through such experimentation that progress occurs.

The idea that production should be responsive to the wants of consumers, as it is in a market economy, has been attacked by such critics as Prof. Galbraith on the grounds that in an affluent society the wants held by consumers do not originate with them but are contrived by business through advertising and therefore the satisfaction of these wants is not important.[14] Galbraith's argument has been easily rebutted.[15] Probably only the desires for food, shelter and sex originate in the individual. All cultural amenities — including the public goods, like education, which Galbraith would encourage — are "contrived" in this sense. To say all "contrived" wants are unimportant is to regard all cultural progress as worthless. Frank Knight, recognizing that wants are created, wrote:

> Whether it is good or bad to create wants depends altogether on the character of the wants created. One cannot condemn advertising and salesmanship out of hand, unless one is prepared to repudiate most of education, and of civilization in general; for most of the desires which distinguish man from the brutes are

artificially created.

Knight went on to raise the question which is perhaps less easily answered than Galbraith's criticism.

> Ethically, the creation of right wants is more important than want satisfaction. With regard to the facts in the case, we may observe that business is interested in the fact of change in wants more than in the character of the change, and presumably affects chiefly those changes which can be brought about most easily and cheaply. Our general moral teaching would indicate that it is easier to corrupt human nature than to improve it, and observation of the taste-forming tendencies of modern marketing methods tends perhaps to confirm the view and to substantiate a negative verdict on individualistic activity of this sort.[16]

One may judge that the market system does not measure up very well to an ideal standard of which wants ought to be created. But by comparison to the wants which have been created in the minds of men in collectivist systems the market system does not fare so badly. This may be credited to the fact that all the firms striving to create wants are not pulling the individual in the same direction; the appeals of diverse business interests leave the final decision as to what will ultimately be recognized as wants up to consumers. Furthermore, many nonprofit organizations promote activities in competition with the want-creating efforts of the business sector. Such independent want-creating organizations could exist only in a system which allows private ownership. There is greater chance of cultural progress where diverse goals promoted by different groups may compete for public acceptance than where only one view is promoted by the power of the state.

Besides solving the problems of what is to be produced and how it is produced, the market mechanism also determines the distribution of income. Individuals' incomes may vary for a number of reasons. A laborer may choose to work at two jobs or voluntarily work overtime and thus earn a larger income. Such variations in income corresponding to variations in effort may seem morally justified. Achieving equal incomes by imposing a uniform forty-hour work week on all would infringe the worker's freedom of choice between having more leisure and earning a larger money income.

Differences in income due to variation in wage rates corresponding to variations in skills may also be justified to some extent by the effort that skilled workers have exerted to acquire their abilities. But to some extent differences in skill may be attributed to differences in inherited aptitudes, and the ethical justification of differences in income derived from such causes is no better than the justification of income differentials based on variations in property inheritances.

Lastly, differences in income may result from pure luck. The entrepreneur who earns positive profits may not have exerted any especially great effort in attempting to forecast consumer demand nor may his forecasting abilities be any better than those of his fellows who

are suffering losses. His profits may be the result of pure chance, which hardly corresponds to any moral merit on his part.

While the distribution of income by the market mechanism may seem to have little ethical justification, it must be recognized that this distribution of income results from prices, which are essential means of communicating information in the market system, and without the payment of these prices some other means of eliciting the desired responses by the actors in the economic process would have to be found. There has been little success in finding such an alternative. In regard to this question Hayek has written,

> We want the individual to have liberty because only if he can decide what to do can he also use all his unique combination of information, skills and capacities which nobody else can fully appreciate. To enable the individual to fulfill his potential we must also allow him to act on his own estimates of the various chances and probabilities. Since we do not know what he knows, we cannot decide whether his decisions were justified; nor can we know whether his success or failure was due to his efforts and foresight, or to good luck. In other words, we must look at results, not intentions or motives, and can allow him to act on his own knowledge only if we also allow him to keep what his fellows are willing to pay him for his services, irrespective of whether we think this reward appropriate to the moral merit he has earned or the esteem in which we hold him as a person.[17]

While the distribution of rewards by the market mechanism may not correspond to one's conception of moral merit, this very fact enhances individual freedom.

> one of the great merits of a free society (is) that material reward is not dependent on whether the majority of our fellows like or esteem us personally. . . . It is of the essence of a free society that we should be materially rewarded not for doing what others order us to do, but for giving some others what they want. we are free because the success of our daily efforts does not depend on whether particular people like us, or our principles, or our religion, or our manners, and because we can decide whether the material reward others are prepared to pay for our services makes it worth while for us to render them.[18]

III

The market economy deserves our commendation as the best means yet discovered to provide for men's material well-being. Furthermore, it is an essential element of that individual liberty which gives men the opportunity to choose virtue. But the existence of that opportunity does not guarantee the choice men will make. "The free market is not a sufficient condition for a virtuous society. That result cannot be achieved by any institutional framework; it depends on the decisions of free men."

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"Since man is not omniscient, and since ultimately no man
can assume full control over or responsibility for the
choices and actions of another human being, or even fully predict the
actions of other men in any detail, this means that
the factor of risk permeates every aspect of man's life."

R. A. Childs, Jr.

THE DEFENSE OF CAPITALISM IN OUR TIME

"Born: February 4, 1949, in Buffalo, N.Y., I studied political science, philosophy, history and economics at S.U.N.Y. at Buffalo and at the University of Southern California. Interested in political issues since the age of nine, I have been a Libertarian since 1964. The Freedom Newspaper chain ran an occasional column by me in 1967 and 1968, and in 1968 I taught for several months at Rampart College, a libertarian-oriented institution in Larkspur, Colorado. Rampart College also published my first two major articles, in the Spring and Summer issues of the now-defunct RAMPART JOURNAL. I have also published in REASON, THE LIBERTARIAN FORUM, LIBERTARIAN REVIEW, and THE INDIVIDUALIST, and most other libertarian-oriented publications. I was an associate editor of THE INDIVIDUALIST from 1970-72, and managed the book service of the SOCIETY FOR INDIVIDUAL LIBERTY during the same period, leaving SIL to edit the former BOOKS FOR LIBERTARIANS (now LIBERTARIAN REVIEW) for Robert Kephart until 1974. For the past year, I have been pursuing studies at NYU (unofficially), have taken part in many symposia (such as the Libertarian Scholars Conference), have published two essays in Tibor Machan's anthology THE LIBERTARIAN ALTERNATIVE, and am working on a book on libertarianism to be published in 1976 by Free Life Editions. I have also addressed untold college and other groups, from Hawaii to Boston, was a founding member of the RADICAL LIBERTARIAN ALLIANCE, and have appeared on radio several times discussing libertarianism."

In an address before the Mont Pelerin Society, social philosopher Irving Kristol has given us a searching and challenging account of the moral dilemma of our time, of the contemporary dispute and conflict between capitalism and socialism — and nihilism.[1] Kristol's thesis is a paradoxical one. In briefest essence, Kristol maintains that while the advocates of capitalism and "bourgeois liberal society" are winning the battles, they are losing the war, the war for liberty and a free market society against the onslaught of opposing ideologies and the encroaching power of the State.

The problem is a basic one, and must necessarily command the attention of everyone troubled about the decline of liberty in our time, particularly in Western Europe and in America, where the ideals of bourgeois or "classical" liberalism were once ascendant.

Taking the issue of central economic planning as a critically important battle won by "libertarians" in the broad sense, Kristol shows that F. A. Hayek "has almost single-handedly overturned the economic foundations of traditional socialism, so that the whole edifice of socialist thought is now falling apart before our eyes." As for the other major defender of capitalism with whom Kristol is concerned, Milton Friedman, "no other thinker of our times has so brilliantly exposed and publicized the *perversities* that are engendered by governmental policies . . . Friedman shows us how planning gets results that are the opposite of those intended." And yet, despite these victories, liberty and capitalism are losing the war: "the power of the state over all spheres of our lives is increasing, not diminishing," and governmental control over the economic system is increasing as well, apparently "in blithe and deliberate disregard of what has been happening in economic theory and economic thought." Why?

Kristol's explanation is complicated, but in essence, is as follows. The original appeal of socialism and central planning were economic, following in the footsteps of Marx's focus on economics. The Old Left everywhere took economics as an altogether appropriate battleground. By all accounts and standards, the experience at least since World War II has undermined this, and the Old Left has thus been defeated on its own chosen battleground. But there was another wing of socialism in the beginning, linked with the Utopians, and its primary focus was anything but economic. Its focus was far more on moral and political ideals; today's New Left is a resurgence of this ideological trend.

Kristol points out that if anything may be identified as characteristic of both the Old Left and classical liberalism alike, it is the propensity to "think economically," to think in terms of efficiency, of costs and benefits, of productivity, progress, materialism and industrial civilization. "The Old Left accepted the idea of the common good proposed by bourgeois and liberal society. The essential ingredients of this idea were material prosperity and technological progress." As long as this was the grounds of the debate, the Old Left was destined to be defeated. Intellectually speaking, it was, and "the result has been the emergence of a New Left which implicitly rejects

the bourgeois-liberal idea of the common good, and which, therefore, rejects . . . the ideological presuppositions of modernity itself." This New Left is "now launching an assault on liberal society" from quite other perspectives as that of the Old Left, and indeed "the identifying marks of the New Left are its refusal to *think economically.*"

What were the inadequacies of 19th century liberalism which made it so vulnerable to these attacks of the Old and New Lefts? In broadest terms, Kristol's answer is that it lacked an adequate philosophical and cultural base, including "a convincing and generally accepted theory of political obligation," an intelligible and convincing theory of justice and, in short, that the bourgeois-liberal ideology lacked any grounds for opposing, in principle, nihilism." The result? "Today, the New Left is rushing in to fill the spiritual vacuum at the center of our free and capitalist society."

In opposing this ideological trend, the heirs of the classical liberal tradition have been, Kristol points out, largely helpless. Why is this? In the main, because the main wagers of this intellectual battle have themselves insisted on "thinking economically," without realizing that thinking economically makes no sense divorced from "certain peculiar, modern presuppositions," and that since the "New Left" is calling these presuppositions *themselves* into question, it is useless to reassert them without examining them, without examining and defending them *philosophically.*

This last is not Kristol's explicit viewpoint: it is my own. The thesis of this essay is that if capitalism, the free enterprise system, is to be defended and rescued, it must be by moral and philosophical means. In short, economics is not enough; the battle has been won on that ground, and has shifted to another, higher, level. By "higher" here I do not mean necessarily more difficult, but rather higher on an epistemological scale, more fundamental, more basic. For it is precisely the basis, the foundation, of capitalism, which is today being called into question. Certainly it has been precisely the historic role of philosophy to have analyzed and defended or undermined these foundations, as well as the foundations of other politico-economic systems, and this is true precisely because no science can itself ever fully establish its own presuppositions. Sciences work *by means of* certain presuppositions, premises which it is the duty of philosophy to justify and define.[2]

In an essay the length of this one, it is obviously impossible to do the entire task of defining and defending the philosophical base without which a free market society might perish. That sort of task would require several volumes, at least. But what I can, and intend to, do here, is to spotlight certain basic presuppositions which serve to undermine capitalism, certain views which have historically, and continue to have, an adverse effect on the ability of libertarians to wage their battle. I shall isolate three of these, comment briefly on one, somewhat more fully on the second, and even more fully on the third. The isolation of these is not meant in any way to imply that these are the *only* basic philosophical issues at stake. Indeed, the problem is

that there are too many even to list. These three factors, then, should only be taken as instances of philosophical issues bearing on the conflict between socialism, capitalism, and nihilism.

The first issue, or doctrine, is determinism, the belief that all of a man's actions are determined by antecedent environmental and hereditary (genetic) factors, and the corollary belief that man cannot *initiate* any action, that he is a passive reactor to events. At first the relevance of these are elusive. But observe that two of the most widely-heralded attacks on a libertarian, capitalistic society have proceeded precisely from this base: the attacks of Christopher Jencks, et. al. (Inequality) and B. F. Skinner (Beyond Freedom and Dignity). In his book Inequality, Jencks considers all of the "conditions" which lead to inequality in society, and presuming that man has not the power to initiate any action on his own, attempts to "link" conditions of inequality with a host of various factors, such as birth, education, environment, and so on. He does this by means of statistical correlations, which he mistakes for causal relations. Finding no correlation between any of the standard modern "liberal" beliefs about the origins of inequality (such as genetics, or environment, or, most of all, education), and inequality itself (particularly in an economic sense, which serves strangely as the paradigm of inequality itself), Jencks concludes that it must be some mysterious combination of these, but most of all: luck. "Luck" is held by Jencks to be the only alternative to deterministic factors, and is paraded by Jencks and his cohorts as, therefore, the determining factor in producing economic inequalities. But that is not all, for holding that luck, and not responsibility, work, effort, or other self-generated actions, are the cause of economic inequalities, Jencks calls for something which must surely go down in the annals of intellectual history: a redistribution of luck. What enables him to get away with this? Very simply, his belief that man is determined by uncontrollable forces (uncontrollable by the individuals involved), and that, therefore, there is nothing so vulgar as "deserving" wealth, or having exerted extra effort. Lacking the category of "earning" wealth, Jencks' emotional commitment to determinism leads him to a similar emotional commitment to egalitarianism, and to advocacy of political means (force) to achieve a more "just" distribution of wealth. Thus, on the base of determinism, Jencks *equates* justice with equality.

The Skinner case is more blatant and exasperating still. For Skinner is the determinist *par excellence*.[3] Skinner, in his bestselling "Beyond Freedom And Dignity," says in essence: let us have no talk of freedom, since we are all controlled by outside factors. And since we are all controlled, the only debate is over how we should be controlled and by whom. Skinner takes political or State control to be the near-paradigm of rational control itself, so in an attempt to combat *random* control, he advocates "rational" control by the State. On economic matters, Skinner says in essence: we are all determined, none of us is responsible for anything, so let us give up this silly notion of having "earned" something, or of "deserving"

something. Nothing could be more deadly to the foundations of capitalism.

Another subtle attack on a free market economic system comes from the philosophical perspective which denies the objective reality of causality — particularly beginning with David Hume and Immanuel Kant, a very interesting case since each of these philosophers was an advocate of what might be called, loosely speaking, the "bourgeois-liberal" society.

For the attack on objective causality undercuts at its roots any attempt to determine *responsibility* for wealth (i.e. the *causal role* of factors in producing wealth). Hume's thesis was that all that we could know was that which was based on sense impressions and faint images thereof, which he calls "ideas." But causality is not one of these, therefore it must be something else. Through long and tortuous argument, Hume concludes that the foundation of our notions of causality and necessary connections is habit, mental habit, and that we have no way of demonstrating causal connections to be true of the external world. Kant fares no better, for he holds that things-in-themselves, and therefore reality-in-itself, are unknowable. Causality is no better off, and is considered by Kant to be a mere category of the understanding.

Philosophically, this disarmed later advocates of capitalism in highly significant ways. I have said that it undercuts any attempt to determine *responsibility* for wealth. This allows others to focus on "production" and "distribution" of wealth as though they were discrete, unrelated processes, and to advocate "redistribution" of wealth with moral impunity — since the concept of "earn" is regarded as archaic and "unscientific." As in all such cases, causality is sneaked in the back door — the neo-positivist 19th century "mechanist" world-view substituted a concrete-focus for an abstract, conceptual one. The result was the concrete-focused "labor theory of value," which was in reality a physical-labor view of the process of producing wealth. This unacknowledged debate over causality in productive factors in the 19th century led Marxists to hold that the industrialists had *produced* (caused) no wealth. Since they received payment for their nonexistent "contribution" to the productive process, this was "exploitation." And Marxists demanded the expropriation of these expropriators.

In response to this, 19th century advocates of capitalism did *not* make the issue of causality *explicit,* as they should have.[4] They *tacitly* argued that industrialists had a vital role in the productive process, but couched this in philosophically vague terms, in terms of utilitarianism, of promoting the "greatest good." This in no way served to undercut the tacitly "moral" objections of the Marxists.

In fact, causality is a tremendously complicated philosophical issue, and the analysis of its role in an economic system as complicated as determining causal relations in the higher realms of physics and organic chemistry.[5] Humean and Kantian notions of causality (the Humean variant is still very prevalent) undercut the objective reality

of causation by reducing it to questions of convention or habit (Hume) or to allegedly necessary categories of the human mind (Kant). [As an aside, it is interesting to note that both Hume and Kant used the notion of objective causality in the process of attempting to deny it. Thus Hume seeks the objective *cause* of a mistaken belief universally held; Kant's more general rejection of the knowability of "things in themselves" leads him to attempt to analyze (know) the nature of the human mind as it is in itself.][6]

The third philosophical belief which we shall consider is any deontological morality, which is *ipso facto* destructive of any economic system based on rewards and consequences (especially responsibility for wealth) *morally* irrelevant. This, too, comes from a predominately Kantian base, for Kant is the *si qua non* of deontologists, the father of "duty" and the chief intellectual enemy of deontologism's opposite: a teleological ethic.

For it is a deontological, duty-centered, ethic which is in many ways at the base of the new "a priori" collectivist moralists. What motivates them, philosophically speaking? The answers are Kant's beliefs: "... the basis of obligation must not be sought in human nature or in the circumstances of the world in which he (man) is placed, but *a priori* simply in the concepts of pure reason." "We must work out a pure ethics which, 'when applied to man, does not borrow the least thing from the knowledge of man himself ...' " And, as Copleston puts it: "Kant obviously parts company with all moral philosophers who try to find the ultimate basis of the moral law in human nature or in any factor in human life or society."

This means that ethics has nothing to do with man's nature, and particularly with his needs (as an individual, a species or a *kind* of living organism), or with the world as it is, with *consequences*, since consequences are the leitmotif of a teleological approach to morality. (Such as that of Aristotle in his ETHICS.)

Against this kind of a mentality, "thinking economically" is more than useless. Yet this mentality is one of the major enemies of a free market. While, as Kristol implies but does not explicitly state, an older "anticapitalistic mentality" (to borrow Mises' phrase) was teleological, and dealt in terms of cause and effect, of consequences of capitalism, the newer anticapitalistic mentality is predominately deontological, and is not concerned with objective consequences at all. Thus the older enemies of liberty could to some extent be met by "thinking economically" with demonstrations that capitalism did *not* produce wars, depressions, chaos, etc. But clearly the new opponents of capitalism cannot be met on this ground at all, and require that we define the new battlefield: philosophy.

The new anticapitalists are, in spirit and motive, deontologists, and thus criticize not so much the *consequences* of capitalism (though this teleological element is present), but *motives*, eg. the profit motive, aquisitiveness, "materialism" and the like.

Why is "thinking economically" powerless to meet this onslaught? Because it is not aware of and does not defend its own presuppositions, the wider context — philosophical context — of their work.

Thus, they are powerless to defend the profit *motive* — in the fullest sense of the word "motive" — since this cannot be done without defensing the wider, noneconomic "motive" of which the profit motive, qua motive, is a part: self-interest. And this lack of a concern with defining and validating proper or rational self-interest disarms the advocates of capitalism on a far deeper level than economics. For they can only apologize for the motor of capitalism *as a motive* by referring to its beneficial *consequences*. But to those whose primary focus is on motives and alleged moral character (character divorced from consequences is rather grotesque), this apology is just that. Thus the motor must be defined, advocated and justified and this by taking up the moral issues at their root.

As a side note, when deontologists forsake concern with "consequences," it is commonly thought that, in common sense terms, they mean "good" (i.e. beneficial) consequences. But the exact same deontological approach could be brought to bear to *excuse* bad, harmful or destructive consequences. In other words, by forsaking consequences, they mean punishment in addition to rewards, and to be excised for their harm in addition to their good. This is commonly neglected in discussing a deonotological view of ethics. Yet it is precisely harmful and destructive consequences which are most often excused. In their book "The Disaster Lobby," Grayson and Shepard point out the immensely destructive consequences of the consumerist and ecology movements, including responsibility for the deaths of tens of thousands of people. This is excused in the name of the "motives" of those in the movements, and is perfectly illustrative of their disregard for one tenent of "thinking economically," i.e. *costs* of alternative courses of action.

In fact and in reality, communism is based on a deontological, duty-centered ethic — despite the legions of communist concessions to motives of self-interest, that is, to reality. Everyone is expected to work to serve the State (society or fellow men) regardless of rewards. Under communism, the introduction of rewards serves the function of grafting a teleological aspect onto a deontological framework. But, then, "hypocrisy is the coin paid to virtue by vice."

The American system of private enterprise, based on risks and rewards, is founded on precisely the opposite premise as communism.[7] In briefest terms, it is founded on a belief that man is an active agent, a free agent who is responsible for his actions, actions which have objective consequences. Teleology comes in on many levels, but none is more important than this: under capitalism, a man has the responsibility to choose his goals, to identify the actions necessary to attain them, and to accept the consequences of his choices and actions. Since man is not omniscient, and since ultimately no man can assume full control over or responsibility for the choices and actions of another human being, or even fully *predict* the actions of other men in any detail, this means that the factor of *risk* permeates every aspect of man's life, on every level from that of knowledge (particularly in the case of science) to that of choosing his role in the structure of production.

Under a thoroughgoing teleological framework, every man has the ultimate responsibility for his own life. If he chooses not to sustain it, then nature takes its course. If, however, he does choose to sustain his life, it is the teleological process of final causality, the relationship between ends and means, that comes into play.

But since time is always scarce in human lives, and since man is not omniscient, the element of risk becomes even more important here. This is because the number of decisions and considerations which must go into any choice are so vast that they are often sorted in lightning-like fashion by the human mind. Besides relying on explicit reasoning, therefore, man must always rely on certain subconscious processes, on what Polanyi has termed "tacit knowledge,"[8] knowledge which is not grasped explicitly but which still functions as a form of awareness. Since facts of reality change, therefore (which is a metaphysical fact), and human knowledge is always limited in scope (an epistemological issue), this necessitates a correlative *psychological* focus and choice, which every man can only perform for himself. In any decision, choice and action, there is always this tacit question: "Have I spent enough time in gathering relevant information, engaging in specialized study and in organizing and verifying what knowledge I *do* have?"

This fundamental fact of human nature, of reality, needs to be taken into account by any politico-economic system. Capitalism does; any form of collectivism does not.

In an explosively brilliant essay, "The Span of Central Direction," reprinted in his masterly "The Logic Of Liberty," Michael Polanyi considers one aspect of collectivism's attempt to come to grips with this problem (although Polanyi does not state the problem as I have here). In its briefest essence, this essay proves that any attempt at "central planning" of production is literally impossible, and that any attempt at central planning relies for its successes on an evasion of precisely what is being proposed, and a substitution of what Polanyi calls "spontaneous order." Polanyi's argument rests on a view of "mental economics," of the limits of acts of decision-making which a human mind can perform on a concrete level. "Spontaneous order" results from the interaction of innumerable individual consciousnesses, each dealing competently with concrete problems which "central planners" higher on a complicated hierarchy could not deal with, or even conceive in advance. The very concept of central planning is illusory, holds Polanyi. In reality, "central plans" generalize decisions made at *lower* levels, and are never themselves imposed "from the top down" so to speak. While the interesting and subtle details of this argument cannot be gone into here, unfortunately, Polanyi's thesis is interesting for the light that it throws on the parasitic processes on which illusory "central planning" rests. For in fact the "successes" of central planning rest on using individualism in the very process of subverting and denying it.

Capitalism, on the other hand, is the only system which can and does recognize the role of individual decision-making procedures and risk in an economic system.[9] How? Capitalism leaves it up to the individual to define his own goals himself, and to attempt to achieve them himself, given only the limitations imposed by the structure necessary to preserve such liberty (i.e. no one may properly choose physical violence, fraud or the threat of either to attain an end — this violently imposes costs on those who had no part in the decision. Notice, however, that other people are free to become involved with someone else, and to assume partial responsibility for the choices and actions of other people). By allowing the individual to decide *how much* time to spend on decision-making, on gathering information relating to choices and actions, *how much* time to devote to specialized study, organizing and verifying knowledge, capitalism recognizes the fact that only an individual mind can perform these processes. And it imposes certain consequent responsibilities on man, the same in fact imposed by nature: that he takes the consequences, good or bad. *This* is the foundation of a profit and loss economy, the philosophical meaning of free enterprise. For a free market is the means of voluntarily integrating men's choices and actions and *values* in society — but only within the context of the facts of reality. The particular "facts of reality" which are relevant here are mainly the alternatives open to various participants in the process of production and trade which constitutes the free market. It is this which is the foundation of the law of supply and demand.

We see, therefore, that the system of risks and rewards has certain philosophical underpinnings, and that opposing philosophical views can seriously undercut such a system. For the very process of assuming risks and receiving "rewards" is a *teleological* process, depending on individual responsibility and choice, and relying on the belief that actions have consequences, consequences determined by the facts of reality. There are obviously a great many other philosophical foundations of the capitalistic system, and the absence of these from the cultures of American and Western Europe are undoubtedly responsible for many of the internal conflicts now causing conflict in these cultures. For no culture is on a more firm foundation than its cultural-philosophical base. If the profit motive and the seeking of individual goals (particularly self-interested goals) comes under attack, and if the members of a society do not know how to deal with such attacks, a basic intellectual-cultural schism is bound to be the result. For that which has not been explicitly identified is not within a man's — or a nation's — conscious control. This applies to *any* of the foundations of a market system, whether it be the belief in free will, or individual ownership of property, from epistemological and metaphysical issues to those on a much more journalistic level.

It was Kristol's thesis, in essence, that the case for liberty has been won on economic grounds, but that economics is not enough. It has been my thesis that one of the factors which should be considered in constructing a case for liberty and capitalism is philosophy, and to

show how a few philosophical issues can have a bearing on very specific political matters. Certainly philosophy is not enough for a full defense of capitalism, particularly as it exists in the United States, but I think that it is vitally important that we see it as necessary.[10]

For if wider philosophical issues are ignored, then we run the risk of seeing not only liberty disintegrate before our eyes, but the very foundations of civilization itself. And from that, recovery may not even be possible.

References

1. Kristol's address, entitled "Capitalism, Socialism and Nihilism," has been reprinted in THE PUBLIC INTEREST. However, all citations in this essay are from a transcript of the original address.

2. On the relationship between philosophy and the physical sciences in this regard, see Andrew G. van Melsen, THE PHILOSOPHY OF NATURE.

3. A libertarian response to Skinner is forthcoming. See Tibor R. Machan, "The Pseudo-Science of B. F. Skinner," (Tentative title), to be published by Arlington House.

4. See the supposed debates, for example, between various Marxists and Eugen von Bohm-Bawerk. In fact, they were arguing about radically different issues, of which this is one aspect.

5. For interesting philosophical discussions of causality, see: H. W. B. Joseph, AN INTRODUCTION TO LOGIC; A. G. van Melsen, THE PHILOSOPHY OF NATURE; C. J. Ducasse, CAUSATION AND THE TYPES OF NECESSITY; Brand Blanshard, REASON AND ANALYSIS and THE NATURE OF THOUGHT; and Nathaniel Branden, "Volition and the Law of Causality," in THE PSYCHOLOGY OF SELF-ESTEEM.

6. For a critique of this and other aspects of Kantianism, see H. A. Prichard, KANT'S THEORY OF KNOWLEDGE.

7. A modern neo-Aristotelian, Ayn Rand, fully appreciates this fact. See her essays "Causality vs. Duty" in THE OBJECTIVIST, July 1970, and "What is Capitalism," in CAPITALISM: THE UNKNOWN IDEAL. I have greatly benefited from both of these essays.

8. See, Michael Polanyi, THE TACIT DIMENSION, and PERSONAL KNOWLEDGE. See also Arthur Koestler, THE ACT OF CREATION.

9. For *economic* analyses of capitalism implicitly replying on this, see Ludwig von Mises, HUMAN ACTION, and Murray N. Rothbard, MAN, ECONOMY AND STATE.

10. For a few attempts to defend capitalism from a philosophical perspective, see Herbert Spencer, SOCIAL STATICS: Ayn Rand, CAPITALISM: THE UNKNOWN IDEAL: Murray N. Rothbard, FOR A NEW LIBERTY (as well as the forthcoming THE ETHICS OF LIBERTY); Michael Polanyi, THE LOGIC OF LIBERTY; Isabel Patterson, THE GOD OF THE MACHINE; Henry Hazlitt, THE FOUNDATIONS OF MORALITY; and F. A. Hayek, THE CONSTITUTION OF LIBERTY. Hayek's works, in particular, offer the best existing discussions of a crucially important aspect of the *structure* of a free society: the rule of law.

"Morality performs a necessary role in any civilized society; indeed, the ability to judge particulars against a general rule of behavior is what civilization is all about."

John B. Egger

AMERICAN CAPITALISM AND THE ETHICS OF LIBERTY

"I am now two years older than I was when I wrote this essay; whether I am any wiser is still open to question. In any case, I have learned nothing which has led me to disagree with any part of 'American Capitalism and the Ethics of Liberty.' I wish it were better written, but if I'd spent more time polishing I might not have learned some important ideas reflected in the essay.

"Although the works of Irving Kristol, Ayn Rand, and F. A. Hayek constitute the principal sources of my ideas, I decided not to follow the approach taken by any one of these writers but rather to try to integrate them with my personal viewpoint. Jerry Farber's *The Student as Nigger* is the source of my critical outlook on the American educational process, and I thank the revisionist historians (e.g. Kolko) for insight into the roots of the corporate state.

"One aspect of my essay with which I have found no agreement — quite the contrary — is my praise of Reich's *The Greening of America.* Nonetheless, I stick to my essay's viewpoint. Libertarians, like everyone else, prefer to poke fun at a disfavored author's illustrations and occasional exaggerations rather than come to grips with the essence of his argument. Being a fan of neither ballet nor touch football, I cannot be sure whether bell-bottomed jeans (which I have never worn) turn the latter into the former, and, frankly, I don't care. I do wish, however, that Reich's libertarian critics would pay less attention to this sort of thing and address the real issue of the relationship between industrialism and the free society. This is neither a political nor an economic issue, but rather (as I suggest in my essay) one of psychology. As far as I'm concerned, the jury is still out. Scott Nearing, for example, an ardent and lifelong socialist, deserves to be taken seriously; c.f. *Living the Good Life* and his 'political audiobiography' *The Making of a Radical,* which has to be ranked as an exciting tale of great heroism.

"Mr. Egger was born in Greenville, Pennsylvania, on July 17, 1944. His family moved to Essex Junction, Vermont, when he was seven, and back to Meadville, Pennsylvania, when he was 13. He attended Cornell University in Ithaca, New York, receiving his Bachelor of Science in Engineering Physics (1967) and Master of Engineering (Electrical) (1968) degrees. While working as an engineer for Texas Instruments in Dallas he completed most of the course work for an MBA in Finance, which he received from Southern Methodist University in 1970. After a brief (three months) career as a financial executive he accepted SMU's Economics Department's offer of a Merit Fellowship for graduate study in economics, and later became an NDEA Title IV Fellow. He has taught business finance at SMU and economics at several schools, primarily the University of Dallas.

"Mr. Egger tried to read his first economics book (Mises' *Human Action)* while an engineering undergraduate, having become interested in the Austrian School through Ayn Rand's recommendations. He now considers himself thoroughly 'Austrian' and is particularly impressed by the works of Hayek. He participated by invitation in the

Institute for Humane Studies' Austrian Economics Symposium in Hartford, June 1975.

"Mr. Egger is married and has two children, ages 8 and 6. Both he and his wife find the New England environment more attractive, and the changes of season more stimulating, than the many urban attractions Dallas can offer. They hope to return to the Northeast when he completes his doctoral dissertation and obtains a suitable teaching position at a rural or semi-rural college or university."

The era of Western civilization has been the era of the individual. The economist of this tradition could hardly be expected to conceive of productivity as anything but "providing what people want"; nor could he take seriously attempts at interpersonal utility comparison. When he also believes that only action reflects what the individual "really wants," the superlative productivity of the free market becomes tautology — and the economist becomes "conservative." The logic of individualistic economic theory explains what American economic history exemplifies: the free market is an unexcelled productive mechanism.

Doing its best to grind out things people want, the market today is trying to supply conditions inconsistent with its own existence. The demand for these anti-market developments can surely be discussed in economists' terms; after all, even an analysis of love and faith can employ concepts of utility, marginality, uncertainty and externality. But it takes a little squeezing to fit some of the modern market criticisms into an economic framework. The positive economist can deal with mistaken opinions about the market's operation, and they are many and important. But there is need, too, of an answer to those who quarrel with the basic values which are implicit even in the positive economist's approach. He can explain how the market allocates capital to its efficient users; how does he reply to the charge that this is unfair? The economist can defend "consumer sovereignty"; what does he say to those who claim that consumers don't demand the right things? It does the economist little good to explain the marginality conditions to one who feels they produce unjust results.

The free market is the tip of the iceberg. It requires a vast supportive structure of specific attitudes about life and reality, about right and wrong, about good and bad. A political and economic liberty cannot be superimposed upon just any set of cultural traditions and values: if people don't think freedom is good they will dispense with it. Without a complete and consistent philosophy of liberty, the free market cannot be lasting — and probably isn't even very important.

Morality and Behavior

Moral codes promote certain actions and discourage others. The moral philosopher must confront immediately the need to specify either the ethics or the behavior exogenously; he cannot conclude that a certain set of rules is appropriate because it encourages good behavior, and then claim the behavior good because it conforms to the ethics. Good, like value, always has a fundamental arbitrariness about it; there can no more be intrinsic or absolute good than there can be intrinsic or absolute value. An investigation of the morality of liberty doesn't need to face this issue. "Good behavior" can be simply asserted to be that consistent with the requirements of a stable, free

secular social order, and the problem is to find the properties of a morality promoting such behavior.

To most individuals the very idea of devising or creating a moral code seems ridiculous. Morality is inculcated by parents almost from birth and appears simply as a datum, something inherent in nature to which behavior must conform. Many individuals retain belief in an absolute God-given morality; others come to see morality as a construct of man, passed through generations, structured to further certain goals. No matter. For the rules men follow in practice demonstrably do change. Acting man does not conform to somebody's idea of the pure and true ethics: he follows what he believes, the social mores. These can change, and men can change them.

Stripped of its incredibly fancy trappings, an ethical system consists of rewards and punishments designed to encourage specific behavior. Those who act virtuously — as specified by the moral code — get the reward: contentment on Earth, eternal happiness in heaven, honor of selection as a human sacrifice, whatever. Those who don't, get the punishment, unless special atonement is made. Education teaches individuals to see the morality — behavior relationship from the other end — appropriate behavior is that which conforms to the inculcated morality — but somehow they develop new concepts of desirable action anyway, and adjust their moral attitudes to accommodate them.

Morality performs a necessary role in any civilized society; indeed, the ability to judge particulars against a general rule of behavior is what civilization is all about. Man has the ability to think abstractly and can't be comfortable choosing actions without using it; morality provides the guidelines for this abstract valuation. Much of what is called "alienation" can be interpreted as one's lack of confidence in his ability to act virtuously — either because he doesn't know what his moral standards are or can't perform as they require; he feels helpless because he must act, he has the ability to judge and project into the future the effects of his actions on himself and others — and yet, he either doesn't know, or knows but can't do, that which is good. Without this ability there is no hope of earning the moral reward his ethics promises. Within a given ethical structure, the reward mechanism functions by adding a bit of utility to the virtuous alternative and subtracting some from the other possibilities, imparting to action a bias toward virtue — but morality itself is of value because it enables people to use their rational faculties. It reduces uncertainty about what courses of action they should select.

A Morality of Liberty

If people are going to support a free market, it's pretty clear what course of action they should select: at bare bones, they should observe the "noninvasion principle" that no individual should initiate physi-

cal aggression against the property or person of another. It is no small task to define "property" in a manner universally applicable to all members of a society, but it can be done — by Murray Rothbard in *For A New Liberty*, for example. A morality consistent with liberty must consider noninvasion virtuous, at least passively, but that's not all. The human mind is a marvelous integrator and it can quickly spot inconsistencies; maybe not consciously, but as a sense of uneasiness. The morality of freedom must minimize this dissatisfaction: each of its characteristics must be consistent with the virtue of noninvasion. It is in this respect that American moral attitude is lacking and has led to distinctly antilibertarian trends in her social and economic life.

Any set of behavioral rules has to come to grips with man's inclination to seek pleasure — yes, the short-run physical kind. If it feels good, man likes it — unless he has learned differently, and civilization depends upon his learning differently. The ethical hedonists avoid temporary indulgences if they are at the expense of greater future pleasures; the religious disdain enjoyments which threaten their admission to heaven. The libertarian morality must justify the long-run view implicit in the observance of property rights. The question is, how to do it.

How *not* to do it is exemplified by modern American ethics. These ethics have always had a substantial religious flavor, but today the American church is in trouble and it's largely because of the decline of the religious morality which has been its principal asset. There is an inherent instability in Western religious institutions, which have been trailing after social developments and scientific discoveries, endorsing them belatedly, ever since the commercial and scientific revolutions and the birth of democracy three or four centuries ago. People who plan and organize their business careers, their governments, and even their recreation on rational principles will eventually question moral commandments based upon an alleged heavenly afterlife and an omniscient moral judge. Even when this uneasiness is not consciously developed, it can be exceedingly serious; after all, people develop a substantial psychological stake in a morality after following it for a lifetime. There seems something uncharitable about attributing this uneasiness to fear that the expected reward won't come through — but maybe that's the real cause of it. The more an ethical structure is at variance with long-run worldly pleasure, the more it fights man's natural pleasure-seeking, the greater is the devotion and faith required of its proponents — and the greater is the uncertainty of the validity of the whole ethics. Not surprisingly, nonconforming behavior is often seen as a threat: it's proof that there is moral disagreement and that someone else might be right. The result is all sorts of "crimes without victims" legislation. The good religious citizens who insist upon locking up the young marijuana smoker are less concerned with his morality than with their own.

This is the battleground of the modern liberal, who resents interference with peoples' sex lives and smoking and reading habits. On

this issue the libertarian attitude seems to be winning. A more serious challenge to America's liberty stems from the basic materialism of her values, more serious because it is superficially more scientific and is becoming increasingly popular.

While the Puritan concept of a virtue rewarded in the afterlife is no longer convincing, the Puritan concept of virtue itself remains prevalent. American society considers virtue to derive from either productive endeavor (the Puritan view) or actual productive achievement (the "social Darwinist" attitude). Any morality designed to cope with man's worldly existence — as a morality of the libertarian society obviously has to be — must encourage the production of goods and services man needs to stay alive; but the American and the libertarian moralities diverge on several other important particulars.

The religious and political conservative typically values the free market because it encourages man to adopt his virtues: hard work, thrift, and sobriety. But the reward for this virtue is supposed to come in heaven, and workers' attempts to enjoy their productivity are met with anything from mild disapproval to insistent demand for "crimes without victims" laws. Thanks largely to the modern liberals, the impact of this attitude is waning.

But there are those who reject this religious notion of self-sacrifice and who realize that production is for enjoying. In rejecting a complete reliance upon nonsecular reward, however, they also reject the possibility of a nonmaterial one: virtue must have its reward, and its reward must be physical wealth. This overreaction to the Puritan's self-denial is particularly dangerous to liberty because it realizes a number of truths: virtue must be rewarded if it is to be encouraged; virtue is a volitional concept, dependent upon the quality of a man's decisions rather than factors outside his control; the free market distributes its wealth to those who combine the Puritan virtues with substantial inherited capabilities and luck, and hence does not provide the required moral reward mechanism. The free market does not, and cannot, allocate wealth according to moral virtue. Professor Hayek stated the point forcefully in *The Constitution of Liberty*. Neither will it do to duck the issue by defining market-determined wealth as the sole reward for virtue; if a man of low intelligence and poor background is honest, sober, and hardworking yet doesn't get rich, that's injustice — when the only reward to virtue is material wealth. A purely material concept of moral reward is not consistent with a stable free market, because under such a concept the market is unjust and a people rightly concerned about justice will not tolerate it for long.

If there is ever to be a morality of liberty, it must reject the notion that material productivity rewards, or even *is*, virtue. Yet it must be secular in orientation, endorsing the noninvasive activity of pleasure-seeking individuals, seeing work as a means and pleasure on Earth as its end: it must avoid the repressiveness of the old-style conservative. At the same time it must be capable of maintaining a belief in the justice of freedom among those who have failed to achieve their goals

— a requirement which seems both pressing and impossible. It's not as impossible as it sounds, and may even follow at once as soon as people stop considering enjoyment a mildly illegitimate pastime and realize that inherited abilities and luck have no moral implications. In such an environment material poverty would not mean automatic disrepute, as it does today — it could represent either a legitimate preference for leisure over labor or the chance absence of nonvolitional abilities — and accidental commercial failure would not mean the complete collapse of an individual's concept of self-worth. Severing the tie between income and virtue might also increase the diversity of human relationships, and might bring pity, not admiration, to the young executive who spends nights and weekends in his office and moves his family across the country the minute his company calls — who wants to love his family and deludes himself that this is how. Once man accepts his own happiness on Earth as a legitimate moral goal, he must investigate the implications of the physical and logical constraints to his action. This is the study of praxeology, and it affirms the appropriateness of capitalism.

America's Two Capitalisms

There are two capitalisms in America today. One is the basic structure of social organization of the American people. It is described by reference to specific institutions of American history: Andrew Carnegie, Joe's Corner Bakery, "social Darwinism," the Bland-Allison Act. The other capitalism is a theoretical construct. It has no historical particulars, and consists only of the conditions necessary for market freedom. The bad press which the second receives is partly a misunderstanding of how it functions, but usually it is confused with the first. Problems of the American social system are incorrectly attributed to conditions necessary to the functioning of the free market. There are indeed many problems in America today — but they aren't necessary consequences of the free market.

Look at the "alienated worker." Why is he alienated, if he really is? He has a boring assembly-line job he doesn't like. But what characteristic of the free market requires stultifying the worker's spirit by minute division of labor? The free market organizes production according to consumer and worker tastes, subject to knowledge and resource limitations. Maybe labor-intensive auto assembly processes result from consumer demand for annual model changes — but they also depend upon the workers' willingness to show up in the morning. It is tautology that when the worker punches in he proves that he considers work his best alternative; it doesn't follow that he likes it. Now it isn't the economist's business to look into value scales, but somebody has to. Why does he do what he doesn't like? He is free

to go elsewhere; the market allows him to seek other work or to snooze in a hammock if he wishes. But he has been taught an attitude, from somewhere in American history, that $12,000 a year is more important than mental and physical health, that the man who makes $500 less is, in a general sense, not as good a man — and now he's busy teaching his kids that a new ten-speed bike represents his love more adequately than does a warm and understanding home life. He is the victim not of the free market — which cannot force him to be happy — but of the moral climate attending its American development. His moral attitudes are not necessary to the free market. In the long run, they aren't even consistent with it. Under such onerous constraints the legislative and economic liberty of the free market is superficial and superfluous.

Most other highly-publicized anticapitalistic promotions are similar: dissatisfactions with the institutions of American historical development, not with the free market itself. The market leads to pollution and to inane television shows — but only if government restricts the applicability of property rights. The market encourages "status seeking" — but only if one derives one's sense of worth from having more material possessions than the Joneses, to which American moral tradition says yes and the morality of liberty says no. The list goes on and on. People don't like the particular trappings that have been draped on capitalism in its American development, and they're right: in many ways these particulars prevent them from enjoying life. And no wonder: their traditional morality is designed for something other than happiness on Earth. If freedom is to have a future, they must be taught exactly what it is that they are criticizing: the distinctly unfree elements of American social organization. Unfree in the sense not only of political legislation, but, more crucially, in the sense of an unnecessarily and inhumanely restricted view of appropriate moral conduct.

The Libertarian's Reply

What, then, about "unfairness"? This charge must be clearly defined as a moral issue. Then — and the discussion will not be short — the libertarian, armed with familiarity of the works of Hayek, Mises, Hospers, Rand, Rothbard, Friedman, Knight, and others, can illustrate the two-way dependence between a secular morality devoted to man's happiness on Earth and the free market of capitalism. If man's worldly pleasure is not the anticapitalist's ultimate value, there is hardly anything further to be said but to assert that a morality of nonworldly goals can hardly be expected, except by accident, to produce a happy, productive, orderly secular social organization: he who selects moral goals inconsistent with secular requirements

forfeits his right to complain about worldly problems. If the fairness of particular institutions of American economic development is being challenged, the libertarian — armed this time with some history — can agree wholeheartedly, and go on to explain how these institutions are inconsistent with a true free market. The importance of the positive economist derives from this rampant confusion of historical fact with necessary theoretical characteristic.

Libertarians must not make the same mistake. They must not promote institutions which fundamentally clash with modern concepts of freedom simply because they appear to have been instrumental in American economic development. Maybe it's true, for instance, that the common man's dissatisfaction with the free market arises from the "democratization of values," and that a stability of sorts would be restored if he again deferred in his moral judgment to an intellectual elite, as he did in an earlier age. But the progress of civilization does not allow restricting freedom; it requires extending it, and learning how to use it.

The American educational system is superlative in this respect: it has done nearly the best job possible of *not* teaching people how to use freedom. The whole educational process, from scheduled baby-feedings to required attendance in graduate seminars, seems designed to keep young people from ever learning what freedom is. The student forgets his force-fed semester of Civics but is unceasingly drilled with the benefits of conforming in dress and thought, keeping quiet, standing in straight lines, submitting wholly to the authority of the faculty and administration. These are lessons he cannot legally avoid: he is compelled to attend school for nearly all of his youth. And even before he gets there his parents probably subjected him to the same authoritarianism. Despite the demonstrated failure of physical coercion and the psychological damage resulting from calling down the wrath of God upon the messy 3-year-old, parents find these techniques easier than devising means to permit the child to experience some logical consequences of his action. It's their choice; their child will be well conditioned to fit into the repressive school environment later, and then will be well trained to tolerate an incredibly stultifying assembly-line or even white-collar job — but such parents should not expect to have happy, self-confident offspring who value and appreciate freedom. Professor Kristol points out that education is *supposed* to make men dissatisfied with menial jobs; he doesn't mention that, as practiced in America, it also trains them to accept frustration and repression of self as a way of life. Dissatisfaction they may have, but they're trained to live with it, not remove it.

Freedom's Unexpected Future

American capitalism has much about it that's superficially good, productive of genuine satisfaction. At its core, however, its moral foundation is antilibertarian and anti-life. The magnitude of these problems suggests that the best chance for the free market lies with those who have rejected its American historical characteristics. To put the future of freedom in the hands of the youthful "dropouts," the modern-day homesteaders seeking a simpler way of life or even the Woodstock rock fan who hasn't yet learned how to find real happiness, is a tough choice for most libertarians to make. These "freaks" sometimes appear to flout every principle of the sane and sensible life. It is time to evaluate exactly what these principles are: do they really require, are they even consistent with, compulsory education, state-sanctioned marriages and participation in the minutely-divided labor force of industrialism? Are Transcendental Meditation and organic foods and acid rock really anticapitalistic? As soon as these "dropouts" learn some economics — and reality will teach them better than any school — their intransigent individualism and devotion to pursuit of their own worldly happiness may well lead them to a new capitalism, free of the repressions of the old. The appeal of their lifestyle has already influenced middle-class America in many ways. Forward-looking libertarians can learn much about the new generation, and the shortcomings of the American capitalism which produced it, from Charles Reich's *The Greening of America.* Reich perceptively and soundly thrashes many of the repressive social attitudes which shaped American economic and political development — if he had only seen them as products of a very antilibertarian nonsecular morality and spotted their basic inconsistency with the stable free market and free society, he could have projected a future libertarianism which would put to shame any "free society" in history. If someone were to call his "Consciousness III" youths capitalistic, they'd deny it vehemently because they confuse history and theory just as Reich does. They aren't interested in building vast industrial empires — but they have the essential values necessary, and specific, to a stable free society. The whole of the American experience should emphasize which is more important.

"The moral basis of capitalism is its effectiveness in providing happy consequences. Private property, voluntary exchange, and the market mechanism are not seen as ends in themselves but merely as efficient tools."

Verna E. F. Harrison

A NEO-KANTIAN PERSPECTIVE

"I was born in New Haven, Connecticut, on August 16, 1953. When I was three years old, my family moved to Chatsworth, California, a suburb of Los Angeles. At fourteen I was sent to the Desert Sun School in Idyllwild, California, a beautiful mountain village. I graduated at the top of my class in 1970 and returned to New Haven in the fall as a Yale freshman.

"In college I did a double major in philosophy and political science and graduated magna cum laude from Yale College in 1974. Since then I have been 'on sabbatical,' traveling and 'getting my head together.' A psychiatrist whom I know socially suggested I explain that I am taking a 'psychosocial moratorium.' I plan to return to my studies in October, 1975, when I will be reading for a B.A. in philosophy and theology at the University of Oxford.

"My other interests include beadwork and trying always to live a new life.

"I have continued reflecting on the subject of my essay since September, 1973, when I submitted it. I would like to use the rest of this space to suggest a small modification in my argument.

"One of the key links in my chain of reasoning was the necessary connection I saw between moral self-determination and political liberty. I suggested that the scope of his moral capacity depended on the individual's freedom of choice which I equated with the variety of options open to him. This confuses two different things.

"The first is self-determination, the ability of a human being to choose between good and evil. This is indeed a necessary condition for morality. But it is a mistake to say that self-determination is proportional to the variety of available options. It is not a quantity, like the number of consumer goods on the market. It is possible, and thus so is moral action, even in the worst conditions of slavery and deprivation. To deny this is to deny that Solzhenitsin and Bonhoeffer in their Russian and German prison camps were among the greatest moral examples of our century. I apologize for implying any such thing. Right action is always possible, though sometimes at the price of martyrdom. There is no necessary logical connection between self-determination and civil liberty, though there is still a strong empirical connection for those of us who are not saints or heroes. So the thesis of my essay still stands.

"The second of the two things I confused was the variety of options open. I have already shown how this differs from self-determination. In any moral choice there is a right option (the best available alternative) and one or more wrong options. Multiplying the wrong options open to the individual does not enhance his ability to choose the right one. But since we can never be absolutely certain in advance which option is best, we must allow for the possibility that one of the new options produced in an environment of freedom might prove to be even better than the one we originally deemed right."

At the present time, when virtually every kind of business is subject to regulation by some federal, state, or local government agency, when all sectors of the economy are bound by price controls or the threat of their imposition, and when risks to persons and companies are cushioned by subsidies as the rewards of profit are eaten away by exorbitant taxation, it is difficult to see what could be meant by "the American private enterprise system." The *status quo* does not fit the description, nor can it be easily defended on moral grounds. Therefore, it makes better sense to perceive the intent of this phrase as referring to conditions in the United States before Franklin Roosevelt and his successors imposed these controls, when the economy really operated on the principle of the market. Indeed, it would be clearer still to state a moral case for the American economy as it has been idealized by its supporters and condemned by its critics, that is a case for *laissez-faire* capitalism. Thus do I perceive the essay topic.

The most frequent defense of capitalism is that of many neo-classical economists in the broader sense of that label. They claim that the market alleviates hunger and poverty, heals the sick, and generally satisfies human wants more effectively than any command economy can. Their evidence consists of an explanation of the price mechanism and how it automatically translates consumer demand into incentives for the producer, coupled with statistics showing how this works for food, medical care, and every other sector of the economy along with statistics showing the inadequacy of other proposed plans of resource allocation. This makes good use of the economic method, and it refutes many specific socialist arguments about capitalist inefficiency, but in itself it does not make any moral claim.

To understand the ethical foundation of this line of empirical reasoning, one must ask why an abundance of consumer goods is seen as an important goal. The explanation is a kind of materialistic utilitarianism, a theory equating the good with the satisfaction of the greatest number of material wants for the greatest number of people. The moral basis of capitalism is its effectiveness in providing happy consequences. Private property, voluntary exchange, and the market mechanism are not seen as ends in themselves but merely as efficient tools.

The typical economist's argument outlined here is inadequate for two reasons. First, it rests the moral imperative upon the empirical evidence. If *laissez-faire* is good only because it is efficient in satisfying consumer wants, must it be abandoned as soon as some conclusive study shows a controlled arrangement to be a more efficient allocation of resources in some sector of the economy? The neo-classicists may indeed come closest to a correct interpretation of the facts, but economists are notorious for disagreeing about causes and predictions. Every school from the Marxians to the Austrians claims a monopoly on scientific truth, so until economics as a discipline is less chaotic and until there is some consensus about its theoretical foundations, the neo-classicist will not persuade his adversary by the facts alone even if they are valid. And suppose that communal arrangements

were shown to be more efficient in some area of insect control, for example. Would the case for capitalism then be morally bankrupt? If not, it must be grounded beyond the bare facts and outside the methods of economics. In other words, it must deal with questions of value in moral and political philosophy.

Secondly, the link between utility and prosperity is weak. The socialist can easily claim that even if *laissez-faire* provides the greatest possible abundance of consumer goods, the general happiness would be better served by emphasizing other values. Utilitarianism reduces ethical questions to quasi-empirical questions about the causes of human pleasure and pain. The socialist can claim that cooperation and a stable community structure are necessary to people's well-being and that the competitive spirit of the market combined with its shifting allocations of resources in search of maximum profit tend to weaken these ties and affections. He can also suggest that an equality too rigid to enforce without a controlled economy is a primary value. People cannot be happy if significant inequalities of condition exist. Then there is the idea that security means more to the average man than the possibility of material success, that the risks of the market outweigh its rewards. The socialist then claims that justice and humanitarianism, and indeed all moral values, are on his side. This claim can be made on utilitarian grounds. Difficulties of this sort suggest that the strongest moral case for capitalism is grounded in some other ethical theory.

Ayn Rand embodies the most popular attempt to provide an alternative moral foundation for the free market. The core of her argument is that man is an animal whose survival depends on the use of his reason. Coercion denies him the possibility of using his mind. Therefore, liberty (the absence of initiated coercion) is essential for survival. This set of assumptions is untenable because men have obviously survived in the most oppressive conceivable conditions. Slaves and Russian peasants continue to exist and raise children. Moreover, intellectuals, scientists, and philosophers who live by the use of their minds have sometimes flourished in unfree societies, albeit in not very large numbers. Rand's formulation is missing something important and it is neither profound nor original, yet it begins to point in the right direction. Her perspective is that of the individual rather than that of the greatest number in aggregate. Moreover, human life suggests a much more plausible value, that of man as a rational and moral being. Dignity replaces mere survival as a standard.

The case for capitalism cannot stand or fall on empirical studies alone. Comparing the mechanisms and results of various economic systems can conceivably explain how they work, but it cannot show which one is preferable and on what grounds. That is a question of value and it falls within the province of ethics. An adequate defense of the free market may follow directly from the proper moral philosophy and its political consequences. Utilitarianism has proven to be a weak choice because it depends too heavily on empirical evidence and on the definition of happiness, a concept so ambiguous that it

can provide an equally solid moral foundation for practically anything. This can make all goods appear relative or any economic system appear better than any other. Therefore, we shall turn from teleology to the other traditional variety of ethical theory, deontology and to its greatest exponent, Immanuel Kant.

Rather than weighing one specific good against another in the manner of the utilitarians, Kant begins by asking what the preconditions are for any kind of morality. Natural events, chance occurrences, accidents, and unconscious behavior may be fortuitous or unfortunate, but they cannot reasonably be called either good or evil. Leaving aside religious issues, only human actions (and on the basis of these, human agents) are capable of being judged morally. One can only be held responsible for what one does voluntarily, for what one could have done otherwise. Choice delimits the sphere of morality. An obligation to act morally implies an obligation to take conscious responsibility for one's behavior, and since knowledge of the situation and of moral rules is necessary in deliberating about whether a proposed action will be good or bad, there is an obligation to use one's practical reason in choosing actions. Practical reason is reason as a guide to the will, as a common-sensical moral judge, as an evaluator of the circumstances, not the precise methodological reason of the scientist but that faculty of mind of the conscientious citizen which nearly all of humanity may be said to possess. For Kant, morality involves choice and the use of reason in making that choice.

Man often does not choose to behave morally, but for Kant a fundamental ingredient of his humanity is the potential of the good will. And only if he is allowed to choose between good and evil does he have the possibility of realizing some of that potential. Compulsion denies responsibility, so only free actions are within the moral sphere. Every human being must be treated as one who has the moral capacity (even if he does not often use it) and be allowed the possibility of actualizing it. Men must be treated as ends in themselves, never as means only. Herein lies human dignity.

Kant calls the combination of self-determination and right action autonomy, which is one of the central concepts in his ethical theory. The important point in this context is that self-determination is a precondition of any morality whatever, so that securing self-determination for every individual becomes the primary moral imperative in a social environment. Even if morality is merely submission to God's will, we must first choose to submit.

Many of our contemporaries share the view that self-determination is an important value even if they do not agree that without it there can be no other moral values. Psychoanalysts in particular tend to encourage their patients to make independent decisions about their own lives. Socialists often advocate their economic ideals as a means to self-determination. Yet the general tendency is to deny any connection between the imperative of autonomy in ethics and the existence of liberty in politics. The existentialists, for example, claim that man cannot escape his freedom and his responsibility, that he can

determine his own destiny even in the most oppressive totalitarian state. He can still choose among whatever alternatives are available even if the choice must be suicide. According to the Stoics, he is only responsible for what is within his power. He may only be judged morally within the circumstances that exist, so ethics (his performance of the best available action) is independent of politics (the surrounding environment). There is no moral imperative to bring about any particular kind of political or economic system. Thus, the link between Kant and capitalism appears to be cut.

The trouble with this line of argument is that it assumes that the surrounding environment is fixed. In other words, it ignores the possibility of political change. It may be within our power to alter the circumstances within which alternatives present themselves. If self-determination is our first duty, we have an obligation to make the sphere of choice, i.e. the sphere of morality, as large as possible, even if that means altering the laws or the political institutions themselves. It is not only possible to choose among whatever alternatives arise in any given situation, it is also within our power to influence the range of alternatives that will be open to us in the future, and we are obliged to make that range as wide as possible. For example, a man need not choose between buying from a state-owned liquor store at a high price and doing without if he can change the law forbidding the private sale of alcoholic beverages, and if my reasoning has been convincing up to this point, he has a duty to try to change that law if he can. In short, there is a moral imperative to create the kind of political and economic system which will allow the greatest possible self-determination for each individual.

It is now clear that the crucial transition can be made from ethics to politics. The next question is what kind of political institutions allow for the maximum autonomy? To find an answer, we must consider how coercion affects choice and the role of the state *vis-a-vis* coercion.

A man attacked by a mugger in a dark alley must choose between the loss of his money and the loss of his life. A shopkeeper approached by a protection racket must choose between a loss of profits and the possibility of harm to himself or his property. A company executive faced with rising costs and the Price Commission may have to choose between heavy losses and heavy fines, or ultimately imprisonment if he refuses to pay them. In all these cases, coercion and the threat of coercion severely restrict the range of free choice. More generally, coercion, threats, and similar phenomena, such as fraud and negligence, all chip away at the sphere of personal responsibility and hence the sphere of morality. Thus, it is imperative that these activities (known collectively as crimes) should be kept to an absolute minimum.

One of the primary functions of government is generally acknowledged to be stopping and preventing crimes. The police, the courts, and the penal institutions are charged with this duty when offenders act singly or in small groups within the state's jurisdiction as in the

cases of the mugger and the protection racket above. When coercion or threats come from large masses of people or from other states (e.g. a revolutionary front or an invading army), the military forces are charged with handling the problem. Sometimes government agents must use coercion or threats themselves in order to stop or deter greater crimes by others. There is nothing morally abhorrent about this kind of retaliation since it still tends to decrease the total amount of crime in society. When the state behaves this way, it is carrying out a moral imperative, but when it initiates coercion or threatens individuals without the aim of deterring crime, one can only say that the government agents themselves are the criminals, that they are diminishing the sphere of self-determination, and that they are behaving immorally. The third example above, that of the Price Commission, is a case of point.

It is clear that government is obliged to minimize crime, by retaliatory force if need be, and that it is obliged not to initiate coercion by forbidding noncoercive actions by individuals and voluntary groups. But what about public works and subsidies to worthy causes, state activities that restrict neither criminals nor citizens who mind their own business? Are these to be permitted, i.e. neither required nor forbidden? That would be nice; the government would be helping people and not harming any one were it not for the fact that somebody has to pay for the legislator's magnanimity.

The state does not generate its own resources. It subsists by taxation, and taxation is nothing more nor less than a legal protection racket. The Internal Revenue agent gives the private citizen a choice between paying whatever the government wants and risking his liberty and property. If taxation is not theft, it is slavery. Assuming that forty percent of the total national income goes into federal, state, and local taxes (it is probably more by now), the proverbial average man with a nine-to-five job works two days out of every week for the government. It makes no difference if the legislators who appropriate these funds are elected by a majority of the people. Taxes are still mandatory even for those who voted against the incumbent or refused to vote at all. If taxes were not compulsory, people would be free not to pay them and could choose to spend their money in many other ways.

Is there any government activity not concerned with preventing crime which is financed entirely by voluntary contributions and does not initiate coercion in any way? Such endeavors, should they exist, lack all of the characteristics normally associated with the state. They can be said to be merely private enterprises run by individuals who happen to be public officials. Like ordinary actions in the marketplace, they are the result of freely chosen cooperation. They can reasonably be excluded from the class of government actions.

We may conclude that the state finances virtually all of its activities by coercion and threats, that is from taxes, so that any government activity which is not morally obligatory is morally reprehensible. Anti-crime programs funded voluntarily may exist, and they are all

to the good, but the state's duty to minimize crime, even by coercive means if necessary, justifies these activities being financed by the taxpayer. We are left with those functions which are legitimate in Locke's limited liberal state: police, defense, and justice. All else initiates coercion or threats either directly or indirectly through taxation. The only basis for political legitimacy is protection of the individual's self-determination, that is the expansion of the sphere of morality as far as possible.

The moral imperative is thus translated from Kant's ethics to Locke's politics. This suggests a connection between moral self-determination and the three natural rights. The right to life is obvious because without life man's capacity as a moral being, the will capable of choosing between good and evil, is extinguished. His right to liberty, that is to do whatever he wants without interference provided that he does not interfere with the same right for others, is equally clear so long as one perceives that what is thus allowed may not be praiseworthy. In other words, there is evil not involving coercion, but the law cannot stifle that evil without stifling choice and hence the possibility of choosing good. Minimizing crime is the most that the state can do to enforce morality. For example, it may be immoral to drink to excess, but it is not good to abstain solely because liquor is unavailable. That would be mere necessity. Prohibition does not make drunkards moral; it deprives them of the opportunity to be temperate.

Locke's third natural right, the right to property, is the only controversial one. A socialist could agree with my theoretical arguments up to this point but deny that the ownership of material goods is necessary for maximum self-determination. He could claim that the distribution of property, and hence the economic system, is irrelevant to the moral question or that state ownership is morally obligatory. This would remove the objection to taxation and allow for all sorts of state-run enterprises, subsidies, and public works. The advocate of capitalism must claim that property is necessary to self-determination. The question is, why?

Defenders of private ownership generally explain the origin of property rights in one of two similar ways. The first, Locke's theory, is that a person has a right to possess a previously unowned object if he mixes his labor with it, that is if he acts so as to increase its economic value. For example, he owns fruit he has picked in the virgin forest and land he has cleared and tilled himself. The second theory is that he has the right to possess any previously unowned object if he is the first to claim it, the paradigm example being mineral resources in the legendary Old West.

Neither of these hypotheses provides an acceptable answer to the following dilemma. Far from being unowned, much of today's wealth has been possessed for generations, which would be all right if it were originally obtained by one of the above methods and had changed hands voluntarily ever since. The trouble is that in many cases property has been obtained by force or fraud, i. e. by immoral means.

One example is the landed estates in Europe belonging to noble descendants of ancient conquerors. Another example is much American land taken by force from the Indians and sold by the United States government. The owners of all such land have morally dubious titles. Are they to be dispossessed despite centuries of reasonable expectations? If so, by whom? How are the heirs of the rightful owners to be found, in most cases? The dilemma is that the present owners have no right to their property, but apparently nobody else does either.

A different theory of property rights is needed to avoid this difficulty. Clearly, any formulation based on the origins of property would encounter the same problem. Locke's theory accounts for one important qualification of the dilemma. That is, much economic value is created by labor and ingenuity. Iron ore was worthless rock in the Bronze Age. The persons who discover how to smelt iron or who actually do so have some right to the difference in value between rock and metal, which for all practical purposes is the whole value of the product. A vast amount of today's wealth was created, not stolen by conquest or fraud. But this does not solve the whole problem.

The self-determination theory in ethics provides an alternative basis for property rights. The control over material things opens up wide ranges of opportunities and allows for the possibility of choices that would otherwise be inconceivable. The owner of a house or the tenant of an apartment need not worry about shelter for the night. He can spend his time doing other things — entertaining guests, cooking meals in his own kitchen, going out with the assurance of a place to return to, etc. Property, like political change, allows some control over the circumstances in which alternatives arise and thus opens up new vistas of self-determination. Therefore, a moral imperative exists for private ownership of some kind.

This leaves the question of how property ought to be distributed. The welfare statist would argue that property is necessary for self-determination, so everybody should have some, and to be fair everybody should have the same amount. The capitalist must defend something close to the *status quo* (after government enterprises are sold).

The alternative to the *status quo* necessarily involves some kind of redistribution, which would be fine as long as it was done voluntarily. Unfortunately, it is reasonable to assume that people would not give up their possessions so easily. Property, because it opens up new possibilities of choice, becomes an extension of the ego. Along with his body, it is part of the apparatus with which a rational and moral will confronts the world. Redistribution would in practice mean having the state take part of this apparatus by force or the threat of force and give it to somebody else. The shares might be equalized once, but when individual talents came into play, they would become unequal again. To work, redistribution would require repeated or continuous government control over people's material possessions. The legislators could order things in whatever way seemed fairest, that is, however

they wished. The result would be that control over possessions, which is so important for enhancing self-determination, would reside with the government, not with the temporary owners. This would be a great crime against everybody except the wielders of political power inasmuch as it would be the end of any firmly established private property and of much individual control over circumstances.

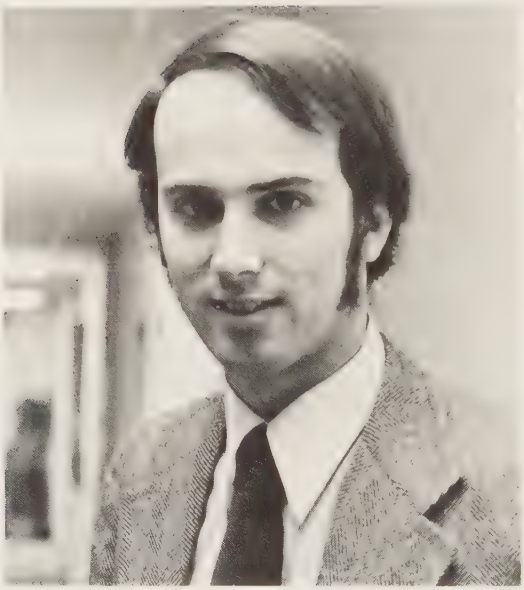
Even if redistribution would not be so bad under ideal conditions, the corruption of power would tend to cause innumerable abuses, threats, and bribes by those in office for their own benefit. The state would become a gigantic protection racket. Citizens would have to choose between doing what was politically acceptable and losing their temporary possessions. Such is the case, for example, with Jews in Russia who want to emigrate to Israel. How much self-determination do they have if they can only leave penniless?

In short, some kind of property is morally imperative, and alternatives to the existing distribution are morally reprehensible in practice if not in theory. The government must be content to protect property rights as they now exist.

To sum up, there can be no morality without responsibility and no responsibility without self-determination. To provide the maximum self-determination for each individual, the state is obliged to limit its activities to maintaining police, defense, and justice and to protecting life, liberty, and property. This precludes government intervention in the economy and makes the private enterprise system morally imperative regardless of whether or not it is more efficient, more productive, or more equitable than any other economic plan.

"The economic system which best accounts
for man's essential needs will be
the most just system."

Karl Keating



ACCEPTING MAN'S NATURE: THE FIRST REQUIREMENT.

"Karl Keating was not born in a log cabin, but he was born in Chicago, which is about the same thing. When he was six his family moved to California to escape those vile urban influences, which can stunt a young boy's physical and spiritual growth, and to make sure there would be food on the table. For the last twenty years Karl has lived there, first in Long Beach, now in San Diego; he misses only the fireflies of the Midwest.

"It was in San Diego that he attended and graduated from the University of California. There he majored in mathematics and minored in German literature and history. He remembers some of the first, none of the second, and only incorrect dates for the third. During these and following years he was variously a Governor's Scholar, a Chancellor's Scholar, a National Merit Scholar, and a Weaver Fellow.

"Deciding that his future would not be found in adding columns of figures, in being an interpreter, or in teaching the essentials of our heritage to gaggles of clawing children, Karl went to law school at the University of San Diego, a private and nominally Catholic school. During his law studies he concentrated on constitutional law and jurisprudence — areas in which there are absolutely no employment possibilities. He will take the California bar shortly.

"To keep himself off the streets, Karl enrolled in a master's program in English literature; his thesis will be on Paul Elmer More and how More's maturing philosophy affected his literary criticism. Eventually Karl will work toward a theology degree and a doctorate in philosophy. When queried about his attachment to academic studies, he replies: 'It is better to light one long candle on campus than to do honest work in the real world.'

"During his undergraduate years Karl edited *Dimension,* a conservative journal of opinion that gained him national attention and the cudgels of the loyal opposition. The journalistic bug left school with him, and he graduated to the editorship of *The Occasional Review,* a journal of contemporary thought in the arts, humanities, and social sciences. This position has allowed him to meet and become friends with some of the finest scholars and truest gentlemen on the campuses today.

"In his spare time (of which there is too much for someone so inclined to mischief) Karl writes articles for law reviews and Catholic periodicals. He also reviews records and comments on local culture, such as it is, for a San Diego weekly.

"He is active in Catholics United for the Faith and other Catholic and right-to-life organizations and has become something of an activist on the religious front — all of which he considers a step up from the ideological wars on campus. For hobbies he collects old books (of which he has a few) and new art (on which he spends too much). His favorite book in his collection is a clean, early copy of Hilaire Belloc's *The Servile State,* and of his art pieces Karl most likes a drooping clock by Salvador Dali."

"Knowledge of human nature is the beginning and end of political education," explained the historian Henry Adams in 1907.[1] He was noting that the political system which best compensates for the peculiarities of human nature is necessarily the most just system. Any system that denies man's nature will only do violence to the individual and to society. The same holds true for economics The economic system which best accounts for man's essential nature will be the most just system. Any economic system that pretends man is something he is not — or pretends he can be something he is not — will produce only frustration and misery. Today, as in 1907, square pegs do not fit in round holes.

The free market has been defended on quite a number of grounds, differing according to time and place. Its ultimate justification rests not on its high level of material productivity, but on a consideration of human nature and the needs of that nature. Other economic systems — call them mercantile, socialistic, or collectivistic — do not mesh so well with the true nature of man as does the free market, and for this reason the free market is to be preferred.

A civilization may be great and good only if its people have as exemplars people who are great and good; this truism is so simple that it is often ignored. While inequality of wealth, for example, may seem somehow unfair, it is only such inequality that allows great acts of philanthropy (which encourage small acts of philanthropy), and throughout our civilization's history it has been the philanthropist who has financed the libraries, the hospitals, the theaters. These essential institutions — needed for the health of both the body and the culture — are seldom "going concerns" as businesses; only through the largesse of the wealthy have the poor been able to have access to books, doctors, and plays. Similarly, only in contemplation of the beautiful are people encouraged to enhance and increase the beauty around them; the Cathedral of Chartres inspired countless quaint chapels, and Michelangelo's Pieta has given inspiration to many struggling sculptors. And only the good examples of the great moral leaders are capable of rekindling in the breasts of the multitudes attachments to charity, fortitude, and gentleness. People live through example and inspiration, and without exemplars the people cannot be inspired to improve themselves or their conditions, for it is truly the exceptional man who can elevate himself without frequent and considerable reference to earlier and better men.

These exemplars may be produced only if each man is permitted to develop and mature at his own rate, in his own way; a forced effort to equalize things and people will merely stifle the most creative individuals — it will not encourage the less creative to exert their inherent abilities. Egalitarian measures, then, in the long run reduce the number of great and good exemplars, and with fewer such people the large masses will entertain piddling thoughts and will aspire to petty goals, and the society will be the worse for it. What will become the accepted standard will be the standard held by the majority of the people in common, and this is necessarily the bottom of the

barrel. The lowest common denominator in values will be the goal to which the people aspire, if they aspire to anything at all.

No economic system, of course, can make men good or can make good men. At best the economic superstructure can allow men to be good. And the better system is the one that encourages and permits the individual to improve himself, while at the same time discouraging the evil man from extending his activities.

While unable to "force" anyone to be good, the free enterprise system at least maximizes the opportunities for people to become good. To be morally good an individual must have a chance to be morally bad. (Someone has said that there can be no Heaven without a Hell.) If an individual is forced to do a certain thing, his doing it is no moral credit to him. Morality requires freedom to be immoral — it requires, that is, freedom. And the private enterprise system is the one which maximizes this freedom: it thus allows an increase in morality. By leaving more decisions to the individual than would other economic systems, the free market permits him to exercise his moral nature.

It is worth noting in this context that the free enterprise system therefore permits the maximum amount of charitable activity. Now a person can be charitable only voluntarily; he is not charitable if the government takes his goods and distributes them to the needy. Since under the free market system the government would be strictly limited in its activities, the individual would have proportionately more of his goods to dispose of as he pleased. This means that he would have a greater opportunity to be charitable. Quite obviously, if the government took all but the bare essentials from a person, he would have nothing left to give away: he would be unable to be charitable even if he so desired. But if he has control over his goods, and if he can distribute them as he sees fit, then he at least has the chance to act charitably.

What happens when equality of condition and temperament is forced upon people? We know from our knowledge of the human condition that violations of a natural arrangement will produce trouble. As William Blake said, "One law for the lion and the ox is tyranny." Only injustice can result from trying to fit everyone into the same social or political or economic condition. The genius of the free market is that the system recognizes this fact and so gives people the maximum of leeway in their activities, which means, ultimately, the maximum of leeway in their conditions.

Justice, according to Plato, is the giving to each man his due. Since each man has abilities and limitations different from those of his fellows, what each man is due also differs. And, since a man can be most creative when he receives what is due him, when he receives justice, creativity is necessarily tied to diversity, to natural inequality. Taking the reasoning one step further, since creativity — whether in the individual or the group — is a prerequisite for approaching the good life, the achievement of the good life is to a large extent dependent on the absence of forces whose aim it is to enforce

equality across the board. We are reminded of the conforming, uncreative, and quite totally egalitarian world portrayed in *Nineteen Eighty-Four,* the novel in which Winston Smith, the protagonist, realizes that the message of Oceania, a message of bleak and spiritless equality in all things, is summed up in the couplet

"Under the spreading chestnut tree,
I sold you and you sold me." [2]

Enforced equality, then, means a violation of the dignity of men, for when we try to enforce something that is incapable of fruition, we necessarily violate nature and do violence to ourselves.

What does all this have to do with economics, especially the free market? Precisely this: the best economic system is the system which is most in tune with man's true nature and condition. Any other system is unjust. The various utopian systems — in which society is to improve through governmental manipulation of the social, political, and economic superstructures — are thus unjust, for they ignore reality. That so many people advocate such systems should not strike one as strange. Few people are philosophically inclined, and one should not expect them to consider the metaphysical implications of their positions. "Human kind cannot stand very much reality," remarked T. S. Eliot,[3] and so we should not be startled if great masses of people support economic systems which are inherently unjust — if, that is, they seek to escape reality.

Central to the free market is the sanctity of private property. By the term "property" is meant not only land, but land fixtures and personality: anything a man may own or possess. Through the holding of property, even a meager amount, a person to some extent is secure against the caprices of the ruling order; where property is secure, the individual has a little corner of the world to which he may retire. Property also gives that sense of being and belonging — that sense of place — which is so important for a well-ordered society. The late Richard Weaver, social philosopher and critic, understood well the need for private property holdings. "It must be maintained that property rests on the prerational sentiments in that we desire it not merely because it 'keeps the man up' — that would reduce to utilitarianism — but because somehow it is needed to help him express his being, his true or personal being. By some mystery of imprint and assimilation man becomes identified with his things, so that a forcible separation of the two seems like a breach in nature."[4] Since the free enterprise system maximizes the amount of property that a man may hold, as it gives him the most freedom to do with his things as he wishes, it therefore best assists the individual in expressing "his true or personal being."

Private property is a bulwark against tyranny, for if property is privately held, power is dispersed. The people always have something on which to fall back in times of adversity. There can be in the last analysis but two conditions: either property is held in private hands

or it is held by the state. There is no true third possibility of "communal" property held neither by individuals nor by the state; to sincerely consider such a condition is to court utopian error and to ignore the essential nature of man.

Leon Trotsky noted that "in a country where the sole employer is the State, opposition means death by slow starvation."[5] While this is the extreme, lesser degrees of governmental control also reduce personal liberties. Henry Thoreau discovered a hideaway at Walden Pond, and from his sanctuary he could criticize the state without suffering economic excommunication. But Walt Whitman, on becoming an employee of the government in Washington, found that his unorthodox utterances, even in poetry, resulted in a sudden lack of income. Nothing is more certain than whatever individual or institution must curry public favor for its support will soon be made to serve utilitarian ends. Consider, for instance, the universities. Almost without exception, liberal education — education "centered around ideas and ideals" — has survived best in those schools which obtain their incomes from private rather than governmental sources. Just as a university is most free when it can do as it sees fit with its own, a person is most free when he has something he can call his own — something that is not controlled by anyone or anything but himself.

Private property is also a bulwark of justice. Justice, as shown above, was defined by Plato as each man receiving his due. The sanctity of private property bolsters justice, for it allows each man to use his property as he sees fit and hence allows him to follow his own inclinations in attempting to become a more humane man.

Since ancient times private property has been recognized to be necessary for the preservation of right order; civilization would hardly be possible without it. Paul Elmer More, the social critic of the early twentieth century, went so far as to say (and in so saying angered many people) that "to the civilized man the rights of property are more important than the right to life."[6] In so using hyperbole he brought home a valuable point: without private property tyranny and barbarism would reign, and in such a state no one's life would be secure. But if property is defended, even through the loss of some lives, then at least civilization would continue and the lives of those living would be that much more secure. More could perceive only disastrous consequences to society if a man could not benefit by his labor and keep as his own the property he earned; if property is secure, he argued, it may be the means to an end, the development of humane men and a just society; but if it is insecure, it will be the end itself.

Coupled with this sentiment is Herbert Hoover's defense of competition: "Competition is in a large measure the most effective and dependable check upon rapacity and a preventive of economic domination and tyranny. The abolition of competition would lead to the death of production and progress in economic life."[7] And, while the state may decree a *de jure* end to economic competition, it cannot decree the *de facto* end to human nature: a nature one of whose

facets is competition. The free enterprise system, based upon private property, precisely corresponds to human nature in that it recognizes the competitive nature of man and channels that nature into constructive avenues. It does not deny to man his being, and it lets him maximize his worth.

Those who deny man's innate competitive spirit do him harm, said Wilhelm Röpke. "They clearly do violence to one side of human nature, a side which is essential to life and which balances the other, nobler side of selfless dedication." Röpke meant the side of competition; any restraint on the good uses of this side of a man's being is accomplished "only by doing something eminently immoral, namely, by compelling" the individual — "by force or cunning and deception" — to act against his own nature.[8]

Without a recognized right to private property and the competitive economic organization that necessarily goes with it, people will nevertheless struggle to obtain goods of their own through competitive means. But they will do so without realizing that property is merely a waystation on the road to becoming virtuous men and to developing the just polity: they will think property is an end in itself. Without a secure right to property, men will keep their sights low.

There are two compatible notions of freedom, two ways to consider the subject. The first, and the oldest, is the affirmative view of freedom, what we might call "freedom to." The affirmative conception of freedom is most useful in metaphysics and theology. For example, a truly wise man by definition has the "freedom to" perceive the nature of man. A fool by definition does not. In contradistinction to this is the negative conception of freedom, "freedom from." This view is most useful in discussing politics and economics, and it is this conception of freedom with which the free market deals. "Freedom" as used by free market theoreticians means basically "freedom from coercion."

In its regulatory and police activities a government is necessarily coercive. When an agent of the state, such as a policeman, apprehends a criminal, or when the judiciary imposes on that criminal certain legal sanctions, the government is using its coercive power to attain certain social ends. Similarly, when the government imposes controls on prices or regulates interstate transportation, it is using its coercive power to enforce those controls or regulations, for it backs up its measures, ultimately, with a threat of a jail sentence or a fine forcefully extracted.

So far as economics is concerned, then, the government uses lesser or greater amounts of coercion to accomplish various ends. We may determine a rough scale running from no governmental interference at all in the economy *(laissez faire)* through total governmental control, regulation, or ownership (socialism). The free market is an economic system in which the government has very little control; it is not, though anarchial. The free market presupposes a government performing its proper duties: internal police-keeping, defense from enemies abroad, and the settling of disputes via the courts. The free

market, that is, does not allow anyone to do just anything: it does not allow freedom to turn into license. In the classic formulation of the statement, one man's freedom to swing his arms stops where another man's nose begins.

The advocate of the free market believes that government intervention into the economy should be virtually nil; this may be contrasted to his interventionist brethrens' views: they desire to maximize governmental intervention. Both sides desire basically the same thing, a well-ordered and just polity, and the crucial distinction here concerns, again, the nature of man. The free market supporter wants to increase freedom precisely for those reasons discussed earlier: so that the caprices of evil men will do the least harm and so the individual may in his own manner seek the good and virtuous life. Since he understands people to be fallible, imperfectible, and occasionally bad, he believes that government bureaucrats will also be that way and that there is no good reason to believe that the better men tend to find positions in the government. Most truly wise men shun positions of power, for they recognize the truth in Lord Acton's dictum. The backer of free enterprise hence believes that government officials do not necessarily know what the common man should do with his personal life and the fruits of his labor, and he feels this all the more strongly as the government officials become ever more distant, ever more powerful, and ever more concerned with their own cares.

The danger of the centrally directed economy is well summed up by Sir James Fitzjames Stephen who, although not writing about economics, pinpointed the problem precisely: "We shall do well to say as little as we can, and to abstain as far as possible from the process of piling inference upon inference, each inference becoming more improbable in a geometrical ration as it becomes more remote from actual observation. As we must guess, let us make our conjectures as modest and as simple as we can. A probability upon a probability closely resembles an improbability."[9] Likewise, as the central planners become ever more remote from the citizens whose lives they are designing, and as they struggle to rationalize their various demographic and sociological data, they end up piling inference upon inference, reaching finally an improbable "solution" to a very real problem — a "solution" so improbable that it often does more harm than good.

And all the time the market economy is roundly condemned by proponents of the centrally planned economy as being based on irrational trial and error methods and the inefficient allocation of scarce resources. But whereas the collectivist envisions a number of "experts" pulling the strings that manipulate the marionette that is the nation, the free market advocate sees the consumer in the competitive market economy in the sovereign position of allocating resources to suit those personal needs of his that only he may fully appreciate. Instead of an arbitrary power system located far from the exigencies of day to day life, the market economy posits a veritable economic election in which each purchase of a produce represents a vote.

The free enterprise supporter thus believes in a rather strict application of the principle of subsidiarity: that a smaller economic unit should be preferred over a larger if both can reasonably accomplish the task. For example, since both the government and private enterprise can operate the postal service, the latter should be preferred, for power, influence, and coercion will then be dispersed. And this is precisely what the American free enterprise system does: it disperses power, giving to each man a small share — enough to accomplish his personal tasks, but not enough to impair the rights of others.

Freedom in economics, as with freedom in politics, both allows and demands virtue in the citizenry. While there is the possibility that in a regime of freedom the people will not become virtuous, only if that freedom is present do they have the opportunity to become virtuous. This is a risk that needs to be taken if the truly just polity is to reach fruition. "It is better to cherish virtue and humanity," said Edmund Burke, "by leaving much to free will, even with some loss to the object, than to attempt to make men mere machines and instruments . . . The world on the whole will gain by a liberty, without which virtue cannot exist."[10] And for the achievement of virtue in the economic sphere, as in all spheres of life, liberty is needed: and this is the touchstone of the free enterprise system.

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4. Richard Weaver, *Ideas Have Consequences* (Chicago: University of Chicago Press, 1948), p. 134.

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7. Herbert Hoover, *The Challenge to Liberty* (Rockford, Ill.: The Herbert Hoover Presidential Library Association, 1971), p. 154.

8. William Röpke, *A Humane Economy* (Indianapolis, Ind.: Liberty Fund, Inc., 1971), p. 120.

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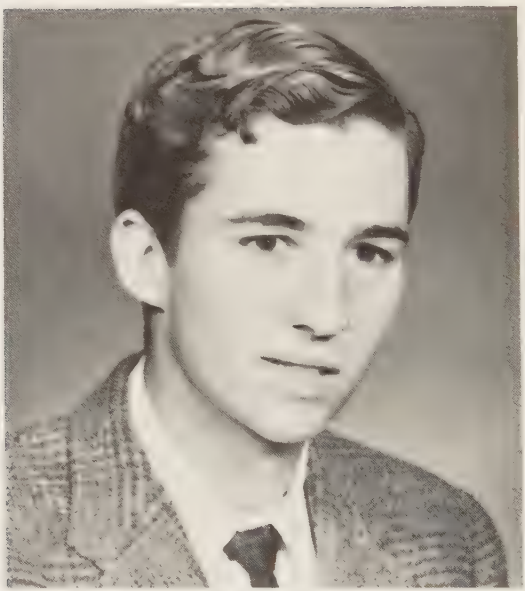
10. Edmund Burke, *Reflections on the Revolution in France,* cited in *Quotes for Conservatives,* Malcolm L. Wright, ed. (New Rochelle, N.Y.: Arlington House, n.d.), p. 21.

"With the pluralism private property allows, men are free to test the vitality of different lifestyles and to adopt whatever mixture seems appropriate to them."

Walter J. Wessels



THE MORAL NECESSITY OF PROPERTY

"Walter J. Wessels will receive a Ph.D. in economics from the University of Chicago in August, 1975, and has accepted an appointment as assistant professor in economics at the University of North Carolina in Raleigh. His thesis topic was "The Theory of Search in Heterogeneous Markets"; it explored the nature of the search process for information about goods whose qualities differ from one another. Several models were developed which examined how people search for information and which established the efficiency of the search process in a free market.

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Introduction

We are too close to events to see them. What appears to be new is more often a pattern repeated from the continuum of the past. And the genuinely new passes unobserved until its consequences have long since marked its path.

A radical idea which has largely shaped our Western civilization — so much so that it is the most consistent bellwether for the liberal[1] society — is the concept of private property. Private property elevates the individual above the State and his neighbors as the controller of what he owns. Through the rule of law, he can defy and ignore the opinion of anyone, be they the acclaimed spokesman for God, Society, or even the Majority.

If ever the concepts of freedom and individual rights are to remain viable, then the necessity of private property, and thereby capitalism, must be understood. It is the philosophical foundations of private property and this necessity which is studied here.[2]

Property and Ethics

Property means the exclusive control and utilization over some resource or its output. Under the institution of private property, individuals control both resources and the resources' output. Under socialism, the state owns and controls the resources but allocates the output to its citizens. In particular, with market socialism,[3] each citizen owns part of the output, to be used as he wishes, but does not own the resources which produce the output. With other forms of socialism, the state may restrict the form of consumption, and effectively "owns" the output of resources.[4]

Having distinguished these various property systems, it is the purpose of this section to show that *some* system of property is a necessity for any ethical system to be *consistently* defined over individuals. That is, what the good is for any group of individuals cannot be made *meaningful* unless consumption goods (but not necessarily factors) are allocated to the various individuals of the group.[5]

Any system of what the good and desirable ends of man should be must be consistent to be intelligible. By consistent, it is simply meant that the achievement of the good must be within the resource restraint facing men. The restraints include income, time, energy, and any other resource we have available to allocate to our diverse activities. For example, an ethic which decreed that a man with a thousand dollars should buy $900 worth of groceries (to feed his family) and also spend $700 on books (to increase his knowledge) would be impossible to achieve. As a result of its inconsistency with the resources available, the ethic would be meaningless for action and would thus be unintelligible. Therefore, for an ethic to be rational,[6] it must specify men's actions within the restraints facing them.

In order for an ethic to be consistent — and intelligible — over a group of persons, the propertization of consumption goods is necessary. The following example which shows this is from an invalid argument by G. E. Moore.[7] The well-known Mr. A and Mr. B are faced with a good X which only one of them can consume. A philos-

opher of some particular persuasion may think that a certain end for the use of X is "good" and that A and B should strive for that end. But both men cannot achieve that "good" with X. Only if the philosopher is willing to confer ownership of X to either A or B can he escape the inconsistency of his ethical system. By sheer metaphysical necessity, X cannot be "good" for both Mr. A and Mr. B. Only *with property* can the philosopher's ends be striven for by all men because no man's restraints will conflict with another's.[8]

To make this point in an alternative manner, consider the equivalent proposition that with any rational[9] ethic there can be no conflict of interests (as rationally defined) among men once the ethic has declared what the allocation of property should be. For then, the individual to desire what the ethic system has not allocated to him would be desiring the impossible (as long as he accepts the ethic). But this is clearly irrational as it would be also irrational to reject the ethic (since it is rational to the individual holding its position).

Libertarian[10] *Ethics and Private Property*

We have looked at ethics in terms of the ends which any system might advocate. Given some set of ends, it was the existence of property which gave this set a meaningful and consistent interpretation in terms of the actions it prescribed.

It was one of the insights of utilitarianism that the good can also be defined in terms of the means by which ends are achieved. "Whatever can be proved to be good, must be so by being shown to be a means to something admitted to be good without proof."[11] From this realization of the separability of ends from means came the various sciences of decision-making in the face of many alternatives with scarce resources, including economics and modern management theory.

The libertarian ethic — which also derived from this realization — accepted men's ends as given and held their efficient achievement to be desirable. But to be consistent, libertarianism accepted the existing distribution of property: in other words, libertarianism advocated the efficient achievement of each man's ends, *given* the resources he owned (both productive and consumptive). In this way, it favored private property. Private ownership of consumption goods (with the concomitant right of transfer) is necessary for the efficient achievement of ends, given the existing output. In economic terms, a distribution of consumption goods allows the definition of an efficient point of consumption on society's contract curve.[12] Ownership of the means of production by individuals who receive these means' incomes (i.e., private property) maximizes total output. In terms of Frank H. Knight's famous essay,[13] private property gives people the incentive to answer the social question of *how* and *what* is to be produced by giving the proceeds of production to those who produce it.

Ludwig von Mises has shown that only with private ownership of productive resources can the information necessary for the efficient utilization and allocation of these resources be made readily available

and effective.[14] Even under market socialism, those factors which represent the decision-making process are not traded, and thereby not priced, with the result that all productive factors are not necessarily valued at their market value (nor is there any incentive to move them to their most valued uses). The necessity of private property for solving the problem of externalities (such as pollution) was shown by Ronald Coase[15] in his well-known proposition that in the absence of transaction costs, any distribution of property (given that it is privately owned) will give an efficient output.[16]

Given any distribution of ownership, private property allows the free trade and transfers which lead to the most efficient achievement of the ends of those owning the property. Libertarianism chose the most nonviolent distribution of property as being proper; namely, whatever exists. Any alternative system of taxation so as to achieve a continual redistribution (such as equality) is inefficient and less productive toward achieving the ends of individuals within the reach of the resources they own.

Other systems of property impose some sanction on people's ends, which libertarianism regards as totalitarian and immoral. For example, equalitarianism holds that certain ends beyond a given income restraint established by "equality" ought not to be achieved. In contrast, private property is neutral between the ends of men as long as these men's ends are achievable with their own resources and actions.

A Libertarian Ethic

The above section represents a basic libertarian set of beliefs which would be accepted by most of this persuasion. But in order to push the specialization of this paper further, no such claim can be made for the following, a libertarian ethic.

In accepting men's ends as worthy of achievement, there is an implicit assumption that the pursuit of ends is good in itself. Without a multitude of ends (even when there is some one ultimate end), there need not be scarcity, and without scarcity, there is no need for moral judgment. If my ends, for example, are to spend my thousand dollars on a $20 bag of groceries or a $10 set of books, there is no need for me to decide which expenditure is better. When I am within my resource restraints yet at the point of satiation, any marginal action I may take has no value.

In this sense, scarcity is needed for morality: for there to be good and bad, our ends must exceed our means to achieve them. And since the choice of ends lies with the individual, he should strive to create ends which use fully the resources available to him. Any alternative ethic cannot be considered "good" because it robs man of the need to use that facility which creates the need for morality, our ability to choose.

It is also true that each man differs from another in his abilities and disposition. The value of private property is that it allows the variability whereby men can seek to multiply and heighten their own ends so as to fully utilize their own resource restraints, including their

abilities. Further, private property allows men to freely test the viability of new ends or of new methods to achieve old ends; the resulting diversity can be marketed to and evaluated by individuals in a far less expensive manner than the individuals could ever hope to achieve alone.[17]

Paraphrasing Oscar Wilde's praise of socialism,[18] private property allows each man the opportunity to make himself a creative work of art. It has usually been the technique of socialists to show the ends achieved under capitalism are "useless" and "secondary."[19] The same arguments are also used against various social customs and habits of free people. While any particular end may not be "necessary" or "rational," some end is always necessary. Just as the sound we give to a particular meaning in language is arbitrary, yet some sound for each meaning is a necessity, so it is that the goals we direct our life by may be arbitrary. Yet, the need for some goals (and symbols) is of vital necessity for a moral and happy life. And further, the groups an individual may align himself with may have arbitrary and silly customs, yet they supply the goals and needs of the individual in a rational way. Social groups allow individuals to perceive themselves as being different and distinctive and thereby serve a valued function. Thus the moral codes and conventions we adopt have both the uselessness and necessity of art.

The state, when it exceeds its bounds, acts to destroy the value of *pluralism*, which is described above. When it acts to subsidize certain groups, it destroys the test of viability. But worse, the more important the state is in our affairs, the more important it is that men agree upon common ends so as to facilitate the state's actions. There is less incentive to leave our neighbors alone as their beliefs are of more consequence to us. On the contrary, our incentive lies in properly educating them to our own "enlightened" beliefs. Public education, control over the mass media, anti-discrimination laws — all of these are manifestations of the destruction of pluralism by a growing state.

Freedom and Pluralism

The tendency of men to form social groups, whether based on economic, religious, racial, or regional grounds, has often been opposed by liberals. Such groups tend, it is felt, to lead their members to be intolerant, self-righteous, and resistant to change. The need and basis for such groups was outlined above. But more significantly, individual freedom has more often been won historically by the battles of one group against another. It is well known that the conflict between Catholics and Protestants lead to religious freedom, an end neither side desired. And the battle for freedom in World War II was made stronger by the love of the homeland rather than for the love of freedom.

It should not be the object of liberals to discourage the manifestations of pluralism (these being what appears to be prejudice and tribal irrationality), but rather to juxtaposition various groups so that they negate one another in trying to increase state controls. Diversity

and prejudice give men the incentive to protect their freedom because of their jealousy and fear of the other groups.

The *Federalist* (no. 10) states "the *causes* of factions cannot be removed and that relief is only to be sought in the means of controlling its effects." The method of the United States Constitution was to give each group a veto over what the other groups desired so that ambition would "counteract ambition."[20]

The basic organizational principle of government should be that of John C. Calhoun's concurrent majority:

> "By dividing and distributing the powers of government, give to each division or interest, through its appropriate organ, either a concurrent voice in making and executing the laws or a veto on the execution."[21]

When groups lack the power to veto one another's wishes, the result is an increase in the state through a process described as "political escalation"[22] by the author. To illustrate this process, assume a "political entrepreneur" approaches each of ten individuals separately and offers each a special program which will give them $8 from a tax of $1 on each other person. The incentive of each individual will be to approve his program, but the net result will be that each person will be taxed $9 and receive only $8 when all ten programs are approved (the government consuming the difference). Because of the difficulty of communication, it is far easier for each person to favor a special program although the outcome will be harmful to all. This is true because any individual's refusal to approve a special favor for him will not affect what others do. Instead, such persons will be harmed by their refusal. And this harm will lead these harmed persons to seek their own favors (especially as the principle of favors has been approved of) and in a similar process to the escalation of conflicts in war, the size of the state will be expanded. But with the ability to veto each other's programs, only those programs advantageous to all can be passed.[23]

The juxtaposition of various groups to counter one another is the essence of federalism and the political value of pluralism. Yet its importance has rarely been appreciated by liberals — with the result of a declining diversity and increasing state.

Conclusion

Within the personality of men is the inherent tendency to differentiate themselves from one another. In this way, the individual marks himself as a separate entity and personality. But in the same process, men form social groups to give customs and symbolic meaning to their actions. It is this separateness of the individual and the pluralism of society which private property protects.

With the pluralism private property allows, men are free to test the vitality of different lifestyles and to adopt whatever mixture seems appropriate to them. This very pluralism can be used to protect the conditions from which it grows, individual freedom.

1. "Liberal" is used in its classical sense, being that set of doctrines which have defended the individual's right to differ in action and opinion from the conventions of his times. The consequential diversity is believed to be good in some sense, either because diversity itself is of value or because better forms of actions and beliefs are presumably adopted over time. This latter view is expressed by Friedrich A. Hayek when he describes classical liberalism as favoring "free growth and spontaneous growth" (in "Why I Am Not a Conservative," *The Constitution of Liberty*, p. 408). His opposition to diversity for its own sake has been expressed in "Individualism: True and False," *Individualism and Economic Order*, pp. 1-32. The former point of view (that diversity has its own value) is argued here. A history of the meaning of liberalism is given in Arthur A. Ekirch Jr., *The Decline of American Liberalism*.

2. An excellent history of the ideal of private property is given by Gottfried Dietze in his *In Defense of Property*.

3. Market socialism is like capitalism in that the composition of output is determined by consumers' expenditures in the market place. It differs in that the state owns the factors of production, and as a result, factors need not receive an income equal to their market worth. See Oscar Lange and Fred M. Taylor, *On The Economic Theory of Socialism*.

4. The division of property into consumption goods property and production goods property is important for the following treatment of property. An example of this division is when an owner of a resource has exclusive control of that resource, but has part of its earning taxed. He has full production goods ownership, but only partial consumption goods ownership.

5. The importance of demonstrating the necessity of property for consumption goods in any rational ethics is that certain behaviors (such as robbery and fraud) are ruled out and certain values are excluded (such as envy).

6. By rational, I mean that the ethic specifies actions which are consistent with the nature of reality, i.e., it is conceivable that it can be fulfilled.

7. G. E. Moore in *Principia Ethica*, pp. 96-105, attempted to refute egotism as an ethical system with the example given in the text. His error in ignoring property was what led to this section.

8. The set of ethical systems which are considered here are those which have substative assertions about how men {should} utilize their consumptive resources. Other systems at most consider goods which are not scarce, in which case property is not needed.

9. In this context, "rational" not only means consistent with the facts of reality but in some way the ethic is justified by these facts to the particular individual considered in the example.

10. Libertarianism refers to that form of liberalism which emphasizes private property as the best means to secure the freedom of the individual to live his own lifestyle. An elegant yet simple statement of this belief is given by Milton Friedman in *Capitalism and Freedom*, Ch. 1.

11. John Stuart Mill, *Utilitarianism*, p. 15. Henry Hazlitt makes the point more forcefully when he states "Morality is not an end we pursue for its own sake. It is a means to ends beyond itself." *The Foundation of Morality*, p. 354.

12. The contract curve is those sets of final consumption of goods where no individual can be made better off without making another worse off. Off this curve, some *trade* of goods can be to the mutual advantage of some individuals. The existence of private property in consumption goods allows these *trades* to take place efficiently.

13. Frank Knight, *The Economic Organization*, pp. 3-121.

14. See the reprint of Ludwig von Mises' "Economic Calculation in the Socialist Commonwealth" in F. A. Hayek, ed., *Collectivist Economic Planning*, pp. 87-130. Also see Von Mises' *Socialism*, 2nd ed., pp. 135-163.

15. Ronald Coase, "The Problem of Social Cost," *Journal of Law and Economics*, Vol. 3 (1961), pp. 1-44. As stated by George Stigler, "The Coase theorem ... asserts that under perfect competition private and social cost will be equal." *The Theory of Price*, 3rd edition, p. 113. Without transactions costs, the only requirement for the equalization between social and private costs is the existence of private property as the resulting right of transfers allows individuals the ability and incentive to bribe society to an efficient position. While the situation of negative externalities (such as pollution or airport noise) may be taken care of by the clear definition of property by the courts, the problem of positive externalities (such as a dam protecting a valley) is more difficult in a free society. The best case against state provision of public goods is given by Herbert Spencer in "Over-legislation," *The Man Versus The State*.

16. But this proposition has been applied to societies where private property doesn't exist. Specifically, Gary Becker has argued that a democracy (and in fact any other social system) will achieve an efficient output given that bribes and transfers can be made with no transaction costs. But this assumes that property rights are defined and predictable so that transfers can be made. In fact, the set of property rights need not be finite, but will tend to be overproduced by the state (or those controlling it) once they see they can receive payment for doing so. This is similar to the case of the beggar who plays a horrid tune on his accordian so as to be paid to leave. It is also to the state's advantage to continually change the set of property rights, but this affects the efficiency of production. See Gary Becker, "Competition and Democracy," *Journal of Law and Economics*, (Oct., 1968) pp. 105-9.

17. As Ayn Rand has put it, the creative minority of innovators are not held down by the will of the majority, but are free to create and demonstrate the utility of what they produce. "The majority learns by demonstration, the minority is free to demonstrate." *Capitalism: The Unknown Ideal*, p. 18.

18. Oscar Wilde, *The Soul Of A Man Under Socialism* (London: A. L. Humphreys, 1912).

19. The masterpiece of this type of attack is Thorstein Veblen's *The Theory of the Leisure Class*. His basic criterion of evaluation was whether an act served to prolong physical survival, a standard of ethic which even the most primitive and poor of savages doesn't follow.

20. *The Federalists*, No. 10. How the various amendments have countered the intention of the original Constitution is described by Isabel Paterson in *The God of the Machine*, Ch. 15. This includes the change from the selection of senators by state legislators to their selection by elective choice.

21. John C. Calhoun, *A Disquisition on Government*, p. 284.

22. Walter Wessels, "The Theory of Political Escalation," *The Freeman*, Vol. 18, No. 12 (Feb. 1968), pp. 81-2.

23. Under the concurrent majority principle, if there is a program with a total value of "1" and three groups, the core of the resulting decision process will be to distribute 1/3 to each group. With a majority rule, two groups will receive ½ and the other none. But which two groups make up the majority can shift among the three groups. This instability of the core combined with the difficulty of abolishing previous programs results in an expanding state size. The nature of the political core is discussed by James M. Buchanan and Gordon Tullock in *The Calculus of Consent*, Ch. 11.

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